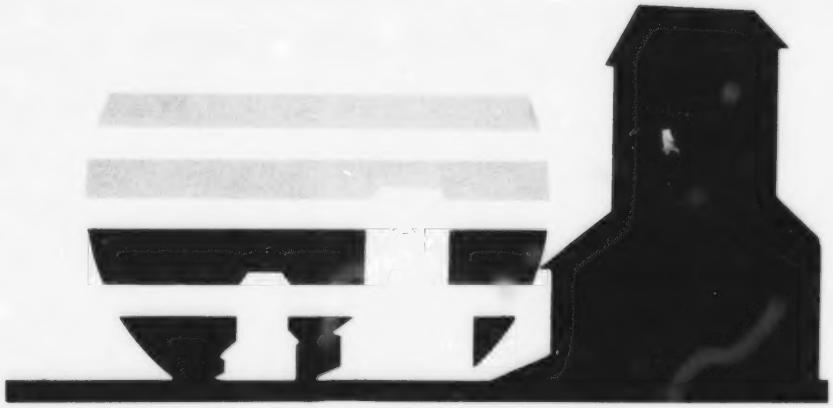
Manitoba Agriculture

AGRICULTURAL OUTLOOK 89



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FOREWARD

The Agricultural Outlook Conference began in response to a need by Manitoba producers and agribusiness for information on market trends and price prospects for the coming year from the Manitoba perspective.

This publication is a detailed report on the outlook for the Manitoba economy, the farm economy, and livestock, special crops, cereals and oilseed sectors. The material presented herein is based on the most current information and data available as of December 31, 1988. If more recent and accurate data becomes available between the publication and presentation dates, the staff do incorporate these revisions in their presentations. Updates are also periodically made in the Manitoba Markets Weekly Report which is prepared by the Economics Branch, Manitoba Agriculture.

Cooperation between Agriculture Canada, Statistics Canada, Manitoba Bureau of Statistics and Manitoba Agriculture is maintained to ensure the best possible agricultural statistics. The assistance of other government branches and departments, farm businesses and farmer organizations is acknowledged.

The development, compilation and assembly of the material was done by the capable staff of the Economics and Soils and Crops Branches whose names appear after their section(s). Sincere appreciation is also extended to Ijaz Qamar, P.Ag. for preparing some of the numerous charts and graphs and to Ms. Joan Prins and Ms. Rose Anne Burdeny for typing and proofing the manuscript.

Individuals requiring further information or clarification are requested to contact the author directly.

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DATA SOURCES: Statistics Canada, Agriculture Canada, Manitoba Agriculture, United States Department of Agriculture and Manitoba Bureau of Statistics.

MANITOBA FARM INCOME SITUATION (1988) AND OUTLOOK (1989)

SUMMARY HIGHLIGHTS

MANITOBA 1988 FARM INCOME SITUATION

Realized net farm income for Manitoba in 1988 is estimated at $433.7 million, 10 per cent less than the revised 1987 value of $481.6 million.

Total farm receipts are expected to reach $2,033.9 million, 2 per cent less than the 1987 value of $2,073.7 million.

Crop receipts, estimated at $1,047.8 million in 1988, will be 5 per cent less than in 1987.

Livestock receipts at $773.9 million will reflect a 4 per cent drop below 1987.

Other cash receipts are expected to increase by 26 per cent over 1987, mainly the result of government payments under the Special Canadian Grains Program.

Farm expenses in 1988 are expected to be statistically the same as in 1987.

MANITOBA 1989 FARM INCOME OUTLOOK

With the available information, including payments under government subsidization, prospects are that realized net income for Manitoba in 1989 will reach $314.4 million, a 28 per cent drop below 1988.

Crop receipts are projected to drop 3 per cent below 1988 while livestock receipts are expected to rise 2 per cent above last year's value.

Other cash receipts are projected to increase by 19 per cent over the 1988 value.

In 1989, total expenses are forecast to rise 9 per cent over the 1988 level.

1988 FARM INCOME SITUATION

CROP RECEIPTS

Total crop receipts are estimated to reach $1.048 billion in 1988, representing a fall of 5 per cent below 1987, (see Table 1). This fall was mainly due to a drastic reduction in miscellaneous payments to 52 per cent of the amount for 1987.

In the miscellaneous payments category, payments under the Western Grain Stabilization Act dropped by half. This was due to increases in the price of the items covered under the Act and the impact of several successive years of declining receipts on the support formula.

Advances from the Canadian Wheat Board declined by 53 per cent relative to 1987. Receipts from major specialty crops and hay declined by 16 per cent in 1988 from a year ago.

Receipts from barley declined by 10 per cent as a result of a 28 per cent decline in marketings. A price increase of 24 per cent and a 43 per cent rise in CWB barley payments were insufficient to offset the decline in barley receipts relative to 1987.

Wheat marketings in 1988 were 23 per cent less than in 1987. With prices increasing by 26 per cent and CWB payments increasing by almost 19 fold, overall wheat receipts showed an 11 per cent rise over 1987. This culminated in wheat's contribution to crop receipts going to 43 per cent in 1988 from 37 per cent in 1987.

Receipts from oats rose by 52 per cent. This was the result of a 66 per cent rise in price despite a 9 per cent reduction in marketings. A 72 per cent increase in CWB payments over 1987 was a significant contributor to this increase.

A combination of a 30 per cent increase in rye marketings and 70 per cent increase in prices have generated increased rye receipts of 119 per cent over 1987.

Although flaxseed marketings are expected to fall by about 32 per cent, price is expected to increase by about 70 per cent. This will cause a 14 per cent rise in receipts over 1987.

Receipts from canola (rapeseed) are estimated to increase by 49 per cent over 1987. This will be the result of increases of 2 per cent in marketings and 46 per cent in price over the respective 1987 levels.

Corn receipts are estimated to increase by 60 per cent over 1987. This increase arose because of anticipated increases of 35 per cent in marketings and 19 per cent in price relative to the corresponding 1987 values.

LIVESTOCK AND ANIMAL PRODUCTS

Total receipts from livestock are estimated at $773.9 million in 1988. This represents a 4 per cent decline below 1987, (see Table 1).

For 1988, receipts from cattle and calves are expected to rise by 1 per cent over 1987. Although cattle slaughterings declined 10 per cent, and there was essentially no change in interprovincial exports, there was a two-fold increase in international exports. The net result was that cattle marketings increased by 3 per cent above 1987. With the per unit price falling 2 per cent below 1987, receipts from cattle marketings showed a 1 per cent increase over 1987.

Marketings of calves in 1988 increased by 3 per cent over 1987 and with the price declining by about 4 per cent, the net result was that receipts from calves declined by 1 per cent below 1987.

Receipts from hogs are expected to fall by 13 per cent below 1987. With expectations for a price decline of about 22 per cent, an increase of 11 per cent in marketings prevented receipts from falling further.

Receipts from sheep and lambs fell by 7 per cent. Sheep receipts increased by 95 per cent resulting from an 85 per cent increase in marketings and a 5 per cent increase in price. However, declines in lamb marketings (-8%) and price (-4%), reduced receipts from lambs by 12 per cent below 1987.

The dairy sector generated $111.6 million of receipts in 1988, a 1 per cent increase over 1987. Fluid milk provided a 3 per cent increase in receipts - a 1 per cent increase in quantity and a 2 per cent increase in price over 1987. Industrial milk contributed essentially the same receipts in 1988 as last year. Cream marketings declined 3 per cent, but with price expected to increase by 4 per cent, receipts are expected to be up by 1 per cent over 1987.

Expectations in 1988 are for poultry receipts to decline by 4 per cent below 1987. Hens and chickens receipts are estimated to fall by 9 per cent from 1987. Price is expected to rise by almost 4 per cent but a 12 per cent reduction in quantity marketed will cause the decline in receipts. However, receipts from turkey are expected to show an increase of 8 per cent in 1988 over 1987. This will result from estimated increases of 2 per cent in the quantity marketed and 6 per cent in the price.

Sales of eggs are expected to push up receipts by 6 per cent over 1987. A 1 per cent fall in marketings will not be able to negate an anticipated increase of 7 per cent in price over 1987.

Receipts from other livestock are expected to decline in 1988 by 12 per cent from the year-ago level. Within this category, only wool is expected to increase (+40%). Honey receipts are expected to fall by 10 per cent, fur by 40 per cent and miscellaneous livestock by 4 per cent.

OTHER CASH RECEIPTS

Provincial income supports, dairy and other supplementary and deficiency payments are expected to show a 26 per cent increase over 1987. Increases of about 238 per cent in deficiency payments and 18 per cent in other supplementary payments (mainly Special Canadian Grains Program payments) are the causes of the overall 26 per cent increase.

FARM EXPENSES

It is estimated that total farm expenses will reach $1,619.5 million in 1988, essentially the same level as 1987, (see Table 5). This situation is the result of differential changes in major components of expenses. The increases in 1988 are expected in interest (+3%), feed (+15%), other livestock expenses (+6%), repairs to buildings (+4%), electricity and telephone (+5%), miscellaneous items (+6%) and depreciation (+1%).

The above increases are expected to be counterbalanced by declines in farm rent (-8%), wages (-1%), machinery expenses (-2%), fetilizer (-6%) and other crop expenses (-6%).

REALIZED NET INCOME

The 2 per cent decline in total farm receipts, essentially stagnant farm expenses, a 3 per cent decline in value of production consumed on the farm and an 18 per cent increase in other supplementary payments translate into a realized net income of $433.7 million in Manitoba in 1988 (see Table 6).

This amount represents a 10 per cent decline below 1987. On a simple average basis, and assuming no change in the number of census farms since 1986, each Manitoba farm will be expected to receive, on average, $15,866 in nominal terms, of realized net income compared with $17,619 received in 1987, (see Table 8).

1989 FARM INCOME OUTLOOK

Total crop receipts for 1989 are projected at $1,015.2 million, 3 per cent below 1988 and 8 per cent less than in 1987. Expectations are for increased prices of all major crops except rye due to tight and even reduced quantities of major grains and oilseeds. Prices are expected to increase in the vicinity of 10 per cent for wheat, 4 per cent for oats, 15 per cent for barley, 17 per cent for flaxseed and 2 per cent for canola (rapeseed). Corn

prices are projected to rise by about 13 per cent and potatoes by 8 per cent. Special crop prices are also expected to rise in 1989.

On the marketing side, projections are for wheat marketings to be significantly less than in 1988, by as much as 40 per cent lower. Oats marketings are projected to drop by up to 15 per cent, barley by up to 20 per cent, rye by up to 20 per cent, and canola by up to 10 per cent below their respective 1988 levels. On the other hand, flaxseed marketings are projected to increase by as much as 16 per cent. Special crops are projected to show increased marketings in 1989 over 1988.

Given the above situation for prices and quantities marketed in 1989, projections are that receipts from wheat could fall by up to 20 per cent, oats by 10-12 per cent, barley by 10-14 per cent, rye by up to 20 per cent and canola by as much as 13 per cent.

But, flaxseed receipts are anticipated to increase by as much as 40 per cent, corn by 12-15 per cent, sugar beets by 100 per cent, potatoes between 5-10 per cent, vegetables between 6-10 per cent and other crops by more than 15 per cent.

Miscellaneous payments are projected to increase by up to 18 per cent. For although WGSA payments are projected to drop very significantly, crop insurance payments are expected to increase by as much as 6 per cent and CWB advances are projected to almost double the 1988 level. Increased liquidations will also assist in tempering the decline in crop receipts in 1989 compared to 1988.

LIVESTOCK RECEIPTS

Table 1 indicates that Manitoba's livestock and animal products sector is projected to generate $788.9 million in 1989, reflecting a 2 per cent increase over the 1988 level.

Projections are for receipts from cattle and calves, sheep and lambs and other livestock to decline. Expectations are that cattle marketings will

decline between 3-6 per cent with slaughterings falling between 5-8 per cent in 1989 relative to 1988. Marketings of calves are also projected to decline between 1-4 per cent. Both cattle and calf prices are projected to show an increase between 2-4 per cent in 1989.

The net result is expected to be a decline between 2-4 per cent in cattle and calves receipts relative to 1988.

Hog receipts in 1989 are expected to increase between 2-5 per cent. Though marketings are projected to slow by 1-4 per cent, price is expected to strengthen between 5-8 per cent.

Receipts from sheep and lambs are forecast at essentially the same as 1988.

In 1989, dairy receipts are projected to increase between 3-5 per cent over 1988. Fluid milk is expected to record a small increase in utilization which will combine with a 2-3 per cent increase in price. Industrial milk will not show any increase in use but will be the beneficiary of a 4-6 per cent augmentation in price. Cream production is expected to decline by 1-3 per cent but price will increase by a lesser amount causing a marginal decrease in its cash receipts.

Poultry receipts in 1989 will increase 4-6 per cent with increases in the quantities marketed and the price of chicken and hens. Declining quantity marketed for turkeys will be more than offset by a price increase of 5-7 per cent.

Receipts generated from egg sales are expected to increase between 5-8 per cent in 1989. Although the quantity sold is expected to decline, price increases of up to 10 per cent will secure the increase in receipts relative to 1988.

Receipts from other livestock are expected to show a marginal decline in 1989 compared with 1988. Even though wool is expected to increase along with fur and miscellaneous livestock, a 7-10 per cent decline in honey receipts will depress farm receipts from other livestock.

OTHER CASH RECEIPTS

A 19 per cent increase in other cash receipts is forecast for 1989 over 1988. While no change is foreseeable in dairy supplementary payments, deficiency payments are expected to more than double in 1989. Only a 6-12 per cent increase in other supplementary payments is anticipated. The major contributor to the latter will be federal support announced in 1988 under the Special Canadian Crop Drought Assistance Program.

FARM EXPENSES

Present prospects for farm input costs suggest that total farm operating expenses and depreciation charges for Manitoba in 1989 will rise by 9 per cent above the level reached in 1988. A total of $1,762.3 million is the forecast cost for 1989 compared with the 1988 value of $1,619.5 million.

In 1989, expectations are that all expense items will show some increase relative to 1988. The increases range from about 2 per cent in other livestock expenses and depreciation to well over 50 per cent for insurance and a doubling of stabilization charges. Of the large cost items, rent is expected to increase by 12-16 per cent, wages by 5-10 per cent, interest 2-5 per cent, machinery by 4-8 per cent and fertilizer by 12-16 per cent. Other crop expenses are projected to increase by 6-10 per cent and feed costs should increase by about 5 per cent. Also, repairs to buildings and electricity and telephones are anticipated to show increases in the vicinity of 5-7 per cent.

REALIZED NET INCOME

Total farm receipts are forecast at $2,056.4 million, an increase of 1 per cent over 1988. This will be the culmination of a 3 per cent drop in crop receipts, a 4 per cent fall in livestock receipts and a 19 per cent increase in other cash receipts. When combined with an expected 9 per cent increase in total operating expenses and depreciation charges, the result is a forecast realized net income of $314.4 million.

The latter represents a 28 per cent decline below the 1988 level of $433.7 million and a 35 per cent fall from the 1987 level of $481.6 million (see Table 6).

The average realized net income per farm is forecast at $11,730. This will be a decline of 28 per cent below the average of $16,184 for 1988 and 34 per cent below the average per farm for 1987, (see Table 8).

SPECIFIC 1989 OUTLOOK ITEMS

AGRICULTURAL LAND

In 1989, farmland values are expected to continue to decline in line with the depressing trend started in 1981-82. The latest Census-reconciled value per acre of farmland and buildings placed the average decline since 1981 at 3.8 per cent per annum.

Anticipation is that in Manitoba, as in Saskatchewan and Alberta, land prices will continue to decline. The recent FCC survey of bareland indicated a price decline of 9 per cent between July, 1987 and July, 1988.

Expectations are that farmland values in Manitoba will fall to about $307 per acre in 1988 and to $295 per acre in 1989.

The continuing slide in farmland value is an indication that the capitalized value is less than the actual market value. Market forces are pressuring market values to fall to reflect more closely the net earnings of farmland. The higher rate of return on investment needed to meet higher real interest rates forces lower bid prices on farmland. Given the decline in commodity prices in the 1980's, the pressure on bid prices has been further increased.

Continuing government support to agriculture in recent years has maintained net farm income and tempered the decline in land prices.

FARM CREDIT

The demand for credit is expected to remain weak and, given the continuing weak level of farm income, credit outstanding is anticipated to decline by about 7 per cent in 1989.

Capital investment in agriculture will continue to decline and depressed land prices will cause a reduction in total asset value.

Farmers will continue to reduce outstanding debts by utilizing government program payments (see Table 8 and Figure 5).

Reducing farm incomes will continue to generate cash flow problems with a consequent shortfall of cash to service debt. The expected rise in interest rates and other farm input costs will reduce income margins and further exacerbate the farm credit situation.

The drought of 1988 further dampened investment in 1988 and will continue to have the same effect in 1989.

More conservative lending practices by major lenders dominated 1988 and will continue in 1989. This, combined with the weak demand for credit, will cause an approximate 3 per cent decline in credit extended in 1989.

Repayments on existing loans, write-offs by lenders and reduced borrowings will combine to force down debt outstanding by some 5-8 per cent in 1989.

Farm bankruptcies have trended downwards in recent times and will continue this trend in 1989. This declining trend points out that lenders and farmers are adjusting their practices and taking corrective measures before bankruptcy sets in.

Canadian interest rates are projected to reflect changes in the U.S. interest rates and the value of the Canadian dollar. The prime lending rate is expected to average 12 per cent in 1989 compared with 10.83 per cent in

1988. Credit activity will be curtailed at this high interest rate level and will dampen debt levels.

FARM MACHINERY

In 1988, Canadian farmers are expected to increase capital expenditures by 1 per cent in real terms. This small increase will be the first time in four years that any increase is visualized. A 1-2 per cent increase in machinery purchases is forecast for 1988 while price increases of up to 2 per cent, on average, is expected.

The 1988 drought on the prairies slowed summer sales of farm machinery below the 1987 level. However, improved prices for grains and oilseeds and good crops in some areas of the prairies generated increased sales in late summer and fall of 1988. Still in 1988, Canadian dollar sales of farm machinery was estimated by Canadian Farm and Industrial Equipment Institute at $1.56 billion, 3 per cent less than in 1987.

The demand for farm machinery in 1989 will be affected by the 1988 drought. It is expected that farmers will sell grain and oilseeds early in 1989 and benefit from upward-trending prices. More receipts will be received by farmers prior to planting time from crop insurance and other government payments. But farmers are not likely to purchase additional machinery until the nature of the 1989 crops can be identified.

In 1989, machinery prices are expected to remain constant in response to generally weak demand and worldwide surplus of major machinery items. Sales will be expected to fall between 1-2 per cent in 1989. Machinery parts will continue to increase in price in 1989 resulting in increased cost of machinery repairs.

FERTILIZER

Agricultural use of fertilizer increased in Canada in 1987-88 with consumption up by about 3 per cent. In western Canada, the consumption of nutrients was up 4.1 per cent in 1987-88. Improved utilization in early 1988 was partly the result of payments under the Special Canadian Grains Program.

Internationally, fertilizer prices increased and this was also the case in Canada. Although, overall fertilizer prices in Canada weakened in 1987, average prices increased in early 1988 by 5 per cent above 1987. Regional disparities arose with prices in eastern Canada increasing by 12 per cent and actually declining by 0.4 per cent in western Canada.

For 1989, moderate increases in fertilizer consumption is expected. This would be following the trend expected in the U.S.A. The utilization level will depend on commodity prices. Higher prices could mean greater seeded area, probably up to 6 per cent. Greater seeded area will derive greater fertilizer use.

The level of soil moisture and rate of fertilizer application will also influence the amount of fertilizer used in 1989.

Fertilizer prices are expected to rise in 1988-89. This would range from 5-10 per cent in eastern Canada to 10-15 per cent in western Canada. Because almost all of the fertilizer exported to the U.S.A. comes from western Canada, the demand for fertilizer in the U.S.A. will strongly affect prices in western Canada in 1988-89.

Fertilizer use in Canada increased from 1980-81 to 1984-85, declined in 1985-86 and 1986-87 and is expected to increase in 1987-88 and 1988-89. In Manitoba, fertilizer use increased from 1976-77 to 1984-85, except 1982-83 when it dropped 3 per cent. In 1985-86, fertilizer sales declined and the decline continued in 1986-87 and 1987-88.

For Manitoba, fertilizer costs are expected to represent about 11.4 per cent of all farm expenses in 1989 compared with 10.9 per cent in 1988.

CHEMICALS

Pressure to reduce production costs will continue to affect the use of agricultural chemicals in 1989. In 1988, the cost of pesticides in Manitoba amounted to $97.8 million, 9 per cent less than in 1987. Sales in 1988 increased over 1987 and 1986 for Canada as a whole. Less cereal and more

oilseeds were grown and this tended to increase pesticide expenses. The grass control activities also improved causing increased use of grass herbicides in 1987-88. However, late season 1987-88 application of herbicides was curtailed due to a sparsity of crops as a result of the drought.

The reduction in expenditures in 1988 reflected the decline in prices of farm chemicals for the first time in more than a decade.

Weed infestation is expected to increase in 1989. More expensive products and more generalized treatment are likely to increase both the use and cost of chemicals in 1989.

Increased area of cereal production in western Canada will likely result from improved commodity prices. Greater pesticide use of up to 3-5 per cent is expected in 1988-89.

A good moisture regime and receipts from government payments would promote the use of chemicals. Unexpected insect infestation could also increase use and cost of chemicals in 1988-89.

ENERGY

The international price of crude oil is dependent on the behaviour of member countries of the Organization of Petroleum Exporting Countries (OPEC). When adherence to set quotas is upheld as during the first half of 1987, prices are maintained. In this instance, it was to the 1986 target level of U.S. $18 per barrel. In mid-1987, amid uncertainty surrounding security of world supply, prices went up to U.S. $22.75 per barrel despite overproduction by OPEC.

Continued surplus production maintained low prices and in 1988 the price of crude fell to less than U.S. $14 per barrel. Canadian crude oil prices reached $170.11 per cubic metre in 1987 and fell to $127.73 per cubic metre in June, 1988. Gasoline and diesel fuel prices are affected by crude oil prices and so increased in early 1988, then fell sharply later in 1988. Electricity prices rose sharply in 1988.

Farmers continue to gain benefits from energy tax rebates and exemptions from the provincial and federal governments. In 1988, the federal government provided a rebate of 8.5 cents per litre on regular unleaded gasoline and 7.5 cents per litre on diesel. The Manitoba government provided an exemption of 8.0 cents per litre on regular unleaded gasoline and 7.5 cents per litre on diesel fuel.

In 1989 relatively low prices should prevail in the face of continuing oversupply. Prices are expected to be lower than U.S. $18 per barrel, even as low as U.S. $16 per barrel. In general, prices are expected to follow the 1988 pattern. Prices of petroleum products used in agriculture should follow the general pattern of crude oil, thus declining in 1989. Electricity rates are expected to increase in 1989.

In view of an anticipated increase in seeded area, consumption of petroleum products should increase in 1989 and low prices are expected to prevail for petroleum products used on the farm.

Major utilities and services such as insurance and stabilization levies will register increases in 1989.

For more information on farm income, please contact:
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Graphs and transparencies for this Section were prepared by Ijaz Qamar, Research Officer, Economics Branch.

TABLE 1: MANITOBA FARM CASH RECEIPTS, 1987-1989

	1987	1988	1989	88/87	89/88
	------	$000	-------	--	% --
Wheat[1]	402,805	447,639		111	
Oats[1]	7,908	12,040		152	
Barley[1]	62,484	56,408		90	
Miscellaneous Payments[2]	312,624	162,962		52	
Rye	2,698	5,922		219	
Flaxseed	62,812	71,791		114	
Canola (Rapeseed)	103,935	154,373		149	
Corn	5,938	9,511		160	
Sugar Beets	8,787	8,336		95	
Potatoes	42,553	42,642		100	
Vegetables	16,117	15,196		94	
Other Crops[3]	72,672	60,952		84	
TOTAL CROPS	**1,101,333**	**1,047,772**	**1,015,227**	**95**	**97**
Cattle and Calves	322,550	324,362		101	
Hogs	252,722	220,464		87	
Sheep and Lambs	1,883	1,742		93	
Dairy	110,246	111,584		101	
Poultry	50,283	48,318		96	
Eggs	47,740	50,674		106	
Other Livestock[4]	18,943	16,764		88	
TOTAL LIVESTOCK	**804,367**	**773,908**	**788,897**	**96**	**102**
Other Cash Receipts[5]	168,031	212,254	252,232	126	119
TOTAL RECEIPTS	**2,073,731**	**2,033,934**	**2,056,356**	**98**	**101**

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1 Includes payments to producers by the Canadian Wheat Board.

2 Includes cash advances on farm-stored grains, deferred grain receipts, payments under the Western Grain Stabilization Act to producers in Western Canada and crop insurance payments.

3 Includes cash receipts from floriculture and nursery, mustard, sunflower, nongrain advances, clover and grass seed, hay and clover, dry beans, dry peas and miscellaneous crops.

4 Includes wool, fur and miscellaneous livestock.

5 Includes receipts from the sale of forest products, as well as dairy supplementary payments, deficiency payments, provincial income stabilization payments and other supplementary payments made by the federal and provincial governments.

TABLE 2: CONTRIBUTION TO TOTAL CROP RECEIPTS, 1981 - 1989

	1981	1982	1983	1984	1985	1986	1987	1988	1989
	percentage								
Wheat[1]	47.3	50.0	52.0	50.7	41.7	41.4	36.6	42.7	35.7
Coarse Grains[2]	17.1	18.0	16.6	12.9	13.8	12.5	6.6	7.1	6.4
Oilseeds[3]	15.0	16.3	20.4	19.4	21.2	16.3	15.1	21.6	23.4
Other Crops[4]	16.9	13.4	11.6	12.0	10.5	10.9	13.3	13.0	15.8
Support Payments[5]	3.7	2.3	-0.6	5.0	12.8	18.9	28.4	15.6	18.7

1 Includes C.W.B. payments.
2 Refers to oats, barley and rye and inlcudes payments by C.W.B. for oats and barley.
3 Refers to rapeseed and flaxseed.
4 Includes cash receipts from floriculture and nursery, mustard, sunflower, net nongrain receipts, clover and grass seed, hay and clover, dry beans, dry peas and miscellaneous unspecified crops.
5 Includes cash advances on farm-stored grains, deferred grain receipts, payments under the Western Grain Stabilization Act, crop insurance payments, liquidations, repayments and deferments.

TABLE 3: CONTRIBUTION TO TOTAL LIVESTOCK RECEIPTS, 1981 - 1989

	1981	1982	1983	1984	1985	1986	1987	1988	1989
	percentage								
Cattle & Calves	45.4	43.5	41.4	40.5	42.0	38.5	40.1	41.9	40.4
Hogs	22.9	25.7	25.3	27.2	27.2	31.7	31.4	28.5	29.3
Dairy	14.3	14.5	15.9	15.4	14.3	14.3	13.7	14.4	14.7
Poultry[1]	14.2	13.1	14.2	14.1	13.6	12.8	12.2	12.8	13.3
Others[2]	3.2	3.2	3.2	2.8	2.9	2.7	2.6	2.4	2.3

1 Includes egg receipts.
2 Includes wool, fur, honey and miscellaneous unspecified livestock and livestock products.

TABLE 4: CONTRIBUTION TO TOTAL FARM RECEIPTS, 1981 - 1989

	1981	1982	1983	1984	1985	1986	1987	1988	1989
	percentage								
Crops	60.4	60.0	63.4	62.8	62.2	62.2	53.1	51.5	49.4
Livestock	36.5	38.8	34.7	35.2	35.9	36.5	38.8	38.1	38.3
Others[1]	3.1	1.2	1.9	2.0	1.9	1.3	8.1	10.4	12.3

1 Includes receipts from sale of forest products, dairy supplementary payments, provincial income, stabilization payments and other supplementary payments made by both federal and provincial governments.

TABLE 5: MANITOBA FARM EXPENDITURES, 1987-1989

	1987	1988	1989	88/87	89/88
		$000		%	
Taxes[1]	33,224	33,287		100	
Gross Farm Rent	73,440	67,469		92	
Wages to Farm Labour	100,967	100,386		99	
Interest on Debt[2]	153,613	158,158		103	
Total Machinery Expenses[3]	274,862	268,363		98	
Fertilizer[4]	187,307	176,256		94	
Other Crop Expenses[5]	157,697	147,469		94	
Feed[6]	153,934	176,870		115	
Other Livestock Expenses[7]	28,642	30,300		106	
Repairs to Buildings	29,919	31,176		104	
Electricity & Telephone[8]	39,957	42,043		105	
Miscellaneous	117,718	125,121		106	
TOTAL OPERATING EXPENSES	**1,351,280**	**1,356,898**	**1,494,635**	**100**	**110**
Depreciation	**260,609**	**262,575**	**267,700**	**101**	**102**
Buildings	15,237	15,428	15,700	101	102
Machinery	245,372	247,147	252,000	101	102
TOTAL OPERATING & DEPRECIATION EXPENSES	**1,611,889**	**1,619,473**	**1,762,335**	**100**	**109**

1 Owned land and buildings only.

2 Interest payments on outstanding farm mortgage debts for owned land and buildings, together with interest payments on all other farm business debts, adjusted for interest rebates.

3 Includes the farm business' use of fuel and machinery repairs.

4 Net of fertilizer and lime rebates.

5 Includes pesticide, seed, irrigation, twine and container purchases, adjusted for pesticide rebates.

6 Includes purchases through commercial channels only, adjusted for feed rebates.

7 Includes livestock purchases, artificial insemination charges, purebred livestock registration fees and veterinary expenses.

8 Includes fencing, custom work, heating fuel, stabilization levies, insurance premiums and other services not previously specified.

TABLE 6: MANITOBA FARM INCOME SUMMARY, 1987-1989

	1987	1988	1989	88/87	89/88
		$000		%	
Cash Receipts	1,917,975	1,849,863	1,855,066	96	100
Supplementary Payments[1]	155,756	184,071	201,290	118	109
Total Farm Receipts	2,073,731	2,033,934	2,056,356	98	101
Income-In-Kind	19,775	19,257	20,350	97	106
Realized Gross Income	2,093,506	2,053,191	2,076,706	98	101
Expenses	1,611,889	1,619,473	1,762,335	100	109
Realized Net Income	481,617	433,718	314,371	90	72
Value of Inventory Change	(94,743)	(250,470)	-	-	-
TOTAL NET INCOME	**386,874**	**183,248**	-	**47**	-

1 Includes payments to producers by the Canadian Wheat Board.

TABLE 7: INPUT COST CONTRIBUTIONS TO TOTAL FARM EXPENSES, 1981 - 1989

	1981	1982	1983	1984	1985	1986	1987	1988	1989
					percentage				
Machinery and Buildings[1]	35.7	37.3	38.0	36.6	35.1	35.8	35.1	34.7	33.7
Interest on Debt[2]	14.5	12.5	10.6	10.3	9.7	9.6	9.5	9.8	9.3
Fertilizer[3]	11.3	11.1	12.2	13.1	13.3	12.5	11.6	10.9	11.4
Rent, Wages and Taxes[4]	11.5	12.7	12.3	12.7	13.2	14.4	12.9	12.4	12.3
Feed	8.0	7.7	7.5	8.3	7.7	7.6	9.6	10.9	10.6
Other Costs[5]	19.0	18.7	19.4	19.0	21.0	20.1	21.3	21.3	23.1

1 Includes machinery, fuel repairs and maintenance, machinery depreciation and building repairs and depreciation.
2 Interest payments on outstanding farm mortgage debts for owned land and buildings, together with interest payments on all other farm business debts, adjusted for interest rebates.
3 Net of fertilizer rebates.
4 Includes purchases through commercial channels only, adjusted for feed rebates.
5 Includes pesticide (adjusted for rebate), seed, irrigation, twine and container purchases, livestock purchases, A.I. charges, purebred livestock registration fees and veterinary charges, fencing, custom work, heating fuel, stabilization levies, insurance premiums and other services not previously specified.

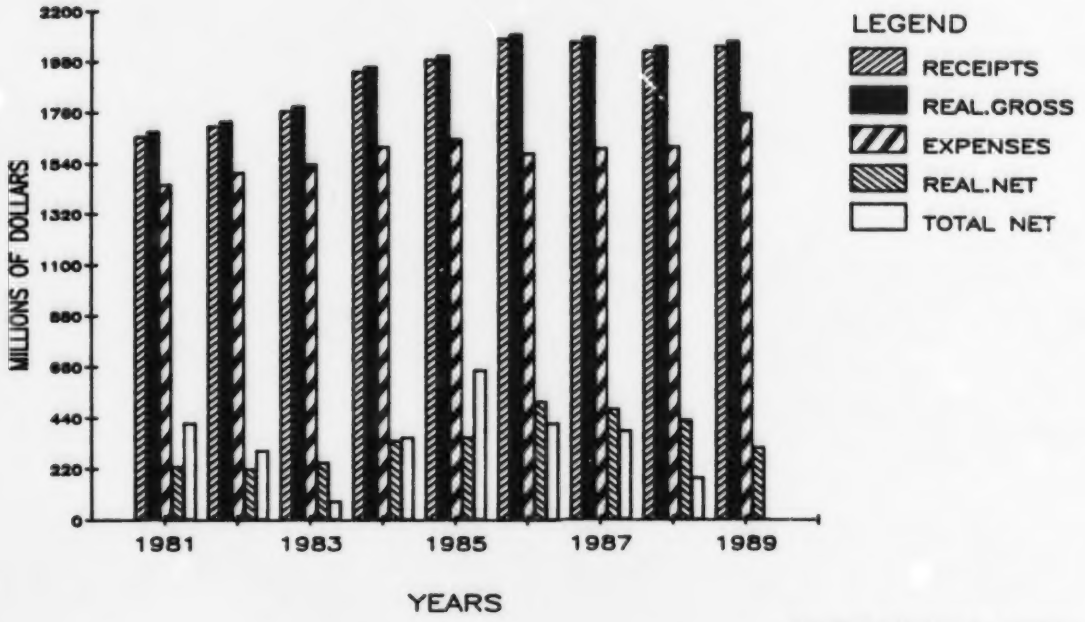
TABLE 8: SENSITIVITY TABLE

	Number Of Farms[1]	Capital Value Per Farm	Outstanding Debt Per Farm	Realized Net Income / Realized Gross Income	Expenses / Realized Gross Income	Average Realized Net Income Per Farm	Number of Farm Bankruptcies
		$000		%		$	
1981	29,442	355.36	52.27	13.7	86.3	7,815	14
1982	29,021	336.37	57.49	12.8	87.2	7,588	30
1983	28,600	337.13	61.63	13.9	86.1	8,698	62
1984	28,179	328.30	64.68	17.5	82.5	12,534	62
1985	27,758	316.10	68.10	17.9	82.1	13,160	69
1986	27,336	349.52	71.60	21.6	78.4	18,477	50
1987[E]	27,000	339.81	67.22	23.0	77.0	17,838	47
1988[E]	26,800	335.52	66.34	21.1	78.9	16,184	44
1989[E]	26,800	328.81	65.04	15.1	84.9	11,730	42

1 Intercensal numbers are estimates only. Censal years are 1981, 1986.
E Estimated.

FIGURE 1

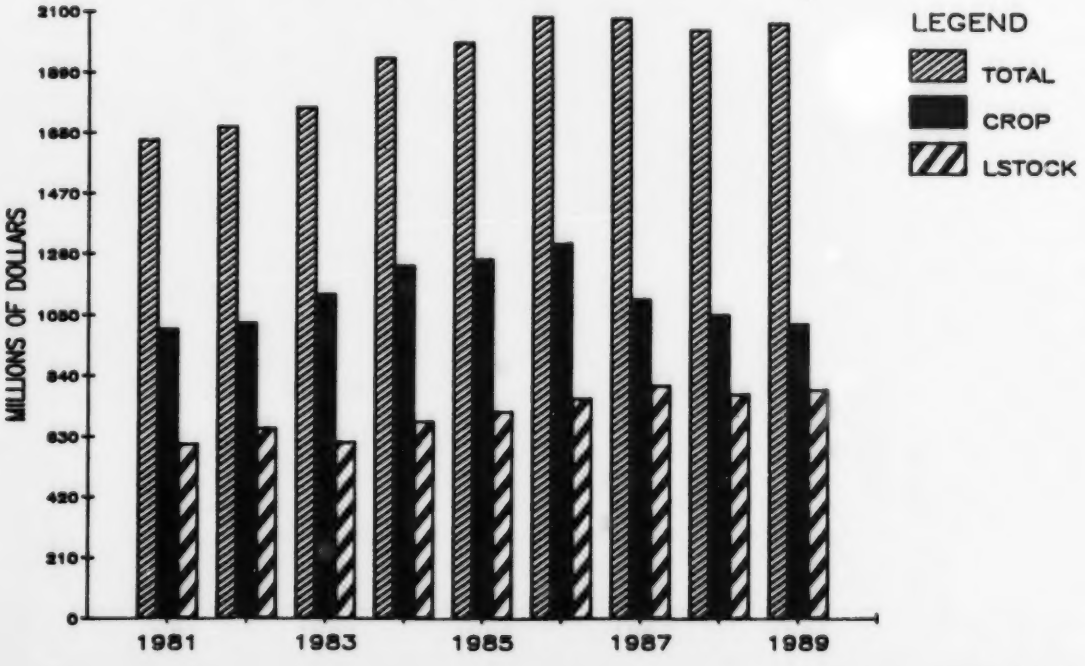
MANITOBA FARM INCOME SUMMARY 1981 - 1989*



SOURCE:STATISTICS CANADA.

FIGURE 2

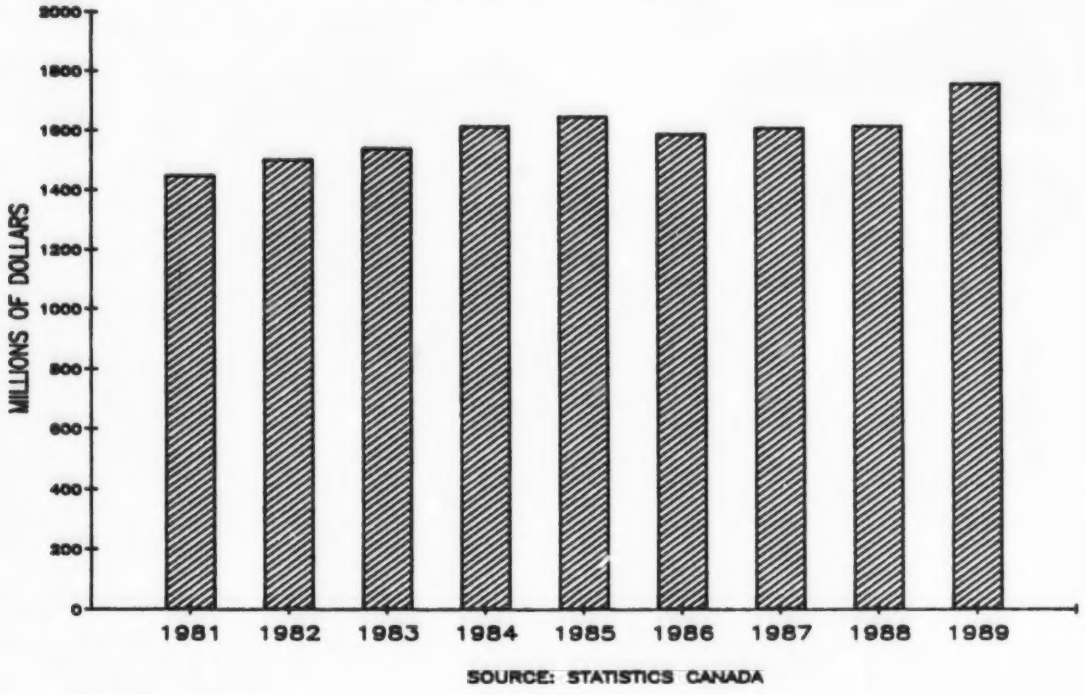
MANITOBA FARM RECEIPTS, 1981 - 1989



SOURCE: STATISTICS CANADA

FIGURE 3

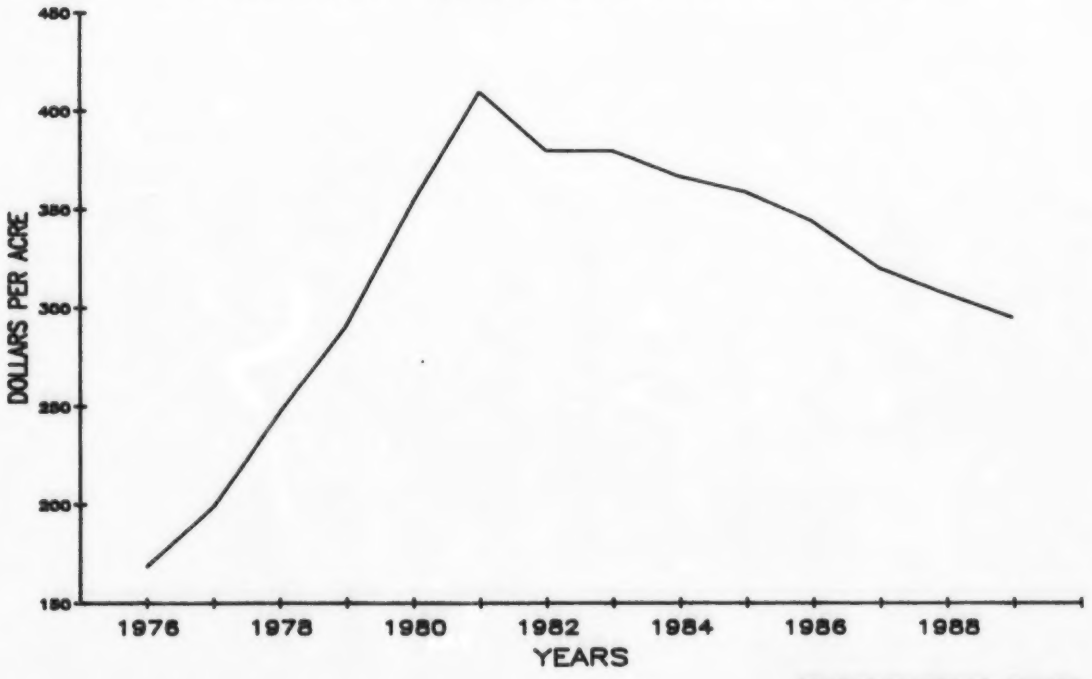
MANITOBA TOTAL FARM EXPENSES, 1981 - 1989



SOURCE: STATISTICS CANADA

FIGURE 4

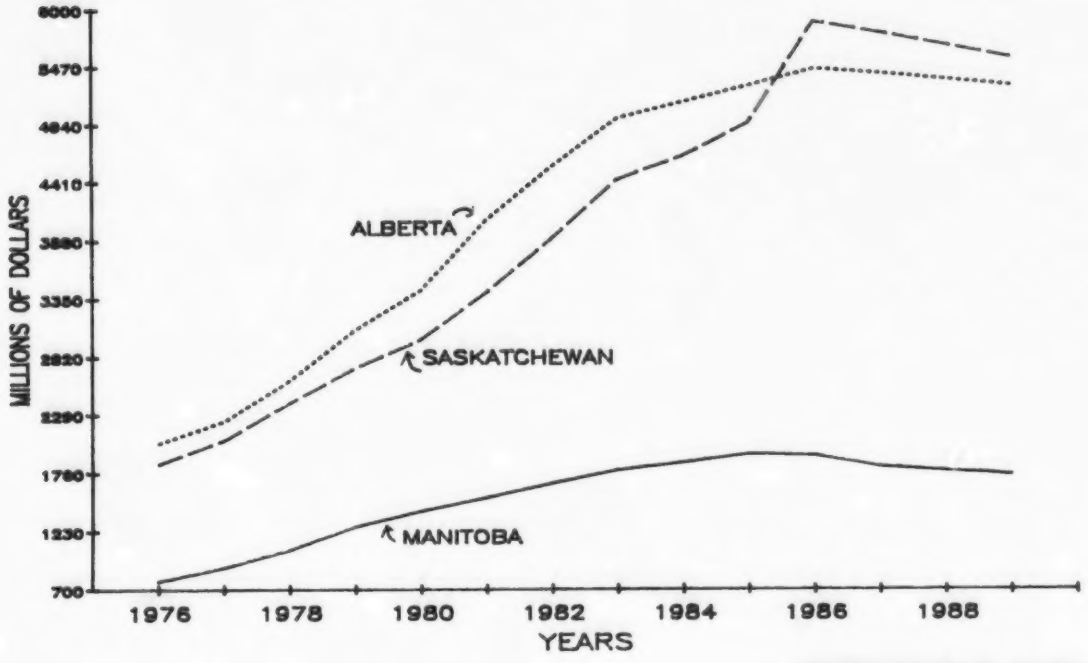
VALUE PER ACRE OF FARMLAND AND BUILDINGS MANITOBA, 1976-1989



SOURCE:STATISTICS CANADA.

FIGURE 5

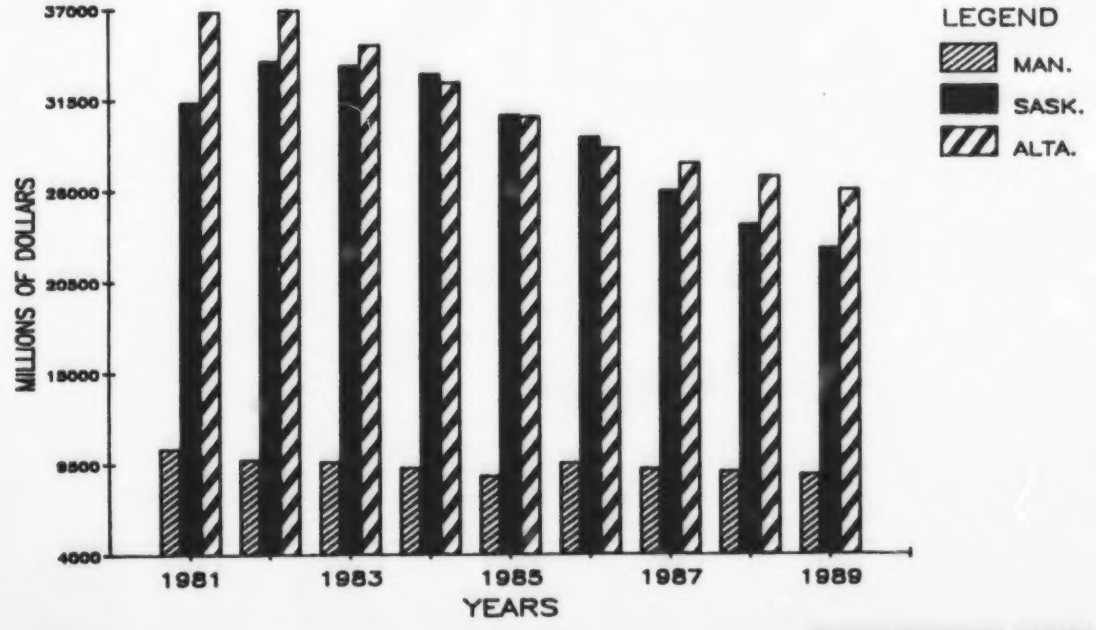
OUTSTANDING AGRICULTURAL DEBT, 1976 - 1989



SOURCE:STATISTICS CANADA

FIGURE 6

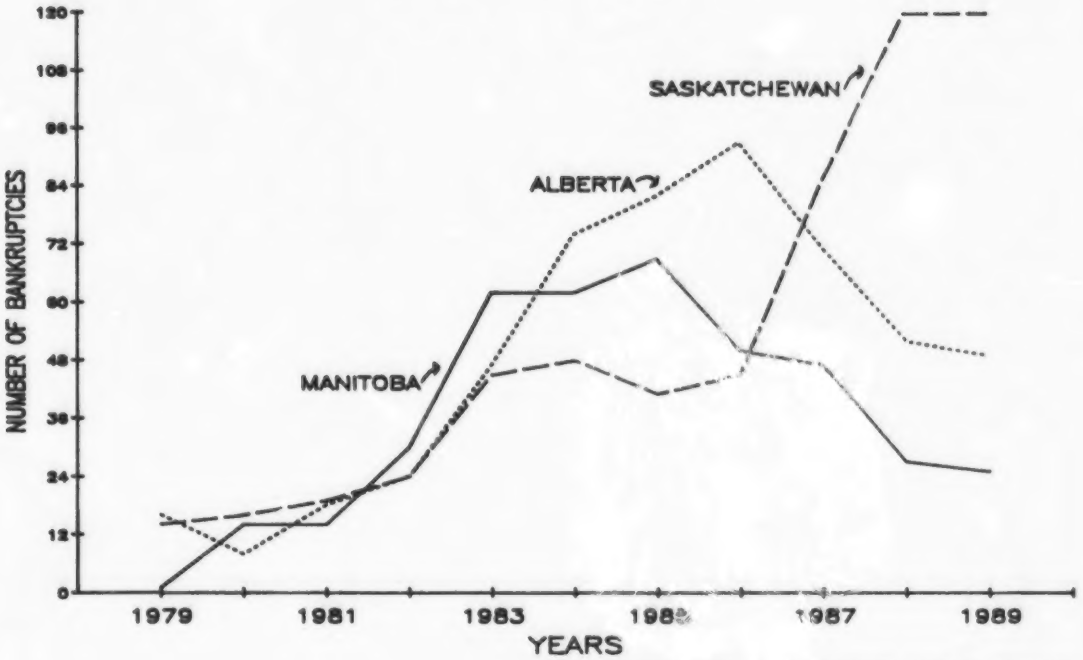
VALUE OF FARM CAPITAL, PRAIRIE PROVINCES, 1981 - 1989



SOURCE:STATISTICS CANADA

FIGURE 7

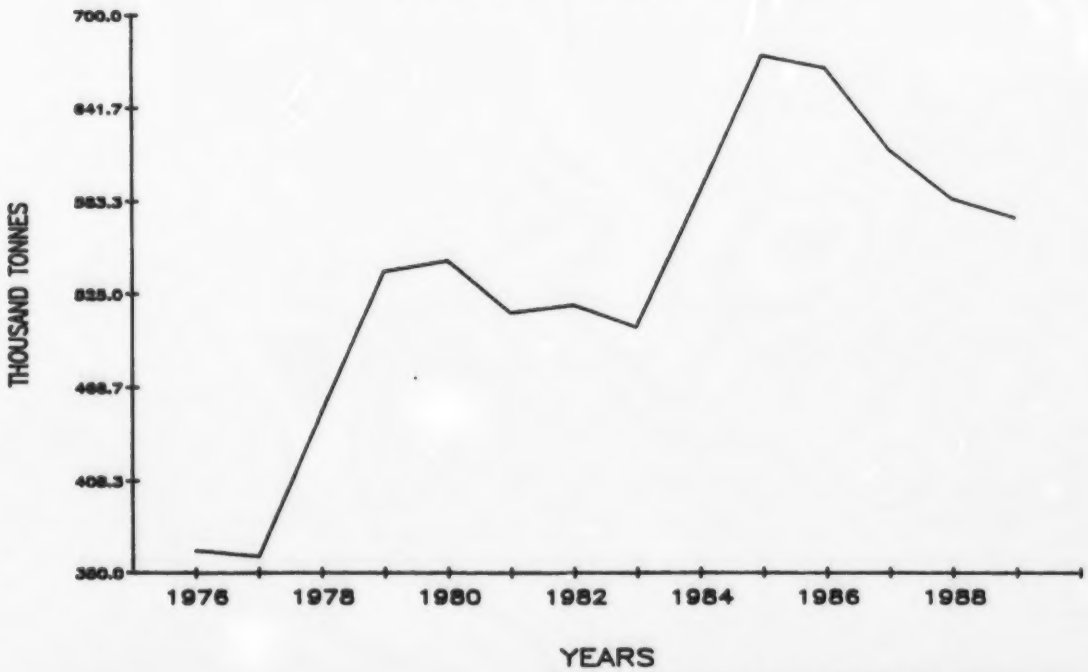
FARM BANKRUPTCIES,
1979 - 1989



SOURCE:CONSUMER & CORPORATE AFFAIRS, CANADA

FIGURE 8

FERTILIZER SALES, MANITOBA
1976 - 1989



SOURCE:WESTERN CANADA FERTILIZER ASSOCIATION.

BEEF CATTLE SITUATION AND OUTLOOK, 1988-89

1988 SITUATION

Manitoba has over eight percent of the cattle and calves in Canada, but only four percent of the population so we rely on external markets, such as the United States, Eastern Canada, Saskatchewan and Alberta, to sell about 70 percent of the cattle and beef produced in the province. Thus the market situation in these other areas has a considerable effect on the Manitoba beef cattle industry.

United States

The drought of 1988 affected beef cattle production, particularly during the second half of the year. Cattle had to be moved from dry pastures in the northern states to greener pastures further south. Feed prices increased in anticipation of reduced crop yields. Corn prices rose by 68 percent from January 1 to the end of September, 1988, with much of the increase occurring from June to September. At the end of 1988, corn prices were still about 60 percent above the level of a year earlier. However, cattle markets were surprisingly strong which helped offset the effects of drought and higher cost of feed. One reason for this was the continued reduction of the U.S. cattle herd. The July 1 beef cattle inventory was the smallest in almost 30 years.

Although calf numbers continued to decline, which meant fewer available feeders from the U.S. herd in 1988, the relatively low feed costs early in the year encouraged a large number of cattle to be placed on feed. Some of these animals were imported from Mexico until prevented by the Mexican Government quota limit. For the first three quarters of 1988, total live cattle imports increased by 23 percent. Canadian live cattle sales to the U.S. in 1988 were double those in 1987. In November, 1988, the Mexican Government abolished the cattle export quota and introduced an export tax for feeder cattle. It is not yet known what effect this tax will have on the movement of feeders from Mexico to the U.S. in 1989.

Increased numbers of cattle on feed resulted in large numbers of fed cattle coming to market in summer and early fall. However, since September 1, 1988, the number of cattle on feed has been below year-earlier levels. During the year, increased fed cattle marketings were more than offset by reduced non-fed slaughter. Beef cow slaughter declined by 7 percent in 1988, despite drought impact prophecies to the contrary. Although total U.S. commercial cattle slaughter declined by two

percent, increased carcass weights kept 1988 beef production at the same level as in 1987.

Consumer demand for beef during the first quarter of 1988 was relatively weak despite the reduced beef supply. The heat wave in June and record supplies of competing meats did nothing to encourage an increase in beef consumption. However, during the summer, U.S. retailers kept beef prices down and pork prices up even though hog prices were significantly lower than in 1987. This encouraged beef consumption at the expense of pork consumption and served to sustain cattle prices and depress hog prices even further. In the U.S., hogs are typically valued at 70-80 percent of cattle prices. During summer, 1988, hog prices were about 60 percent of cattle prices, the lowest level in 29 years.

Choice steer prices peaked at US$79/cwt (C$98/cwt) in mid-May, declined to the US$66-70/cwt range for most of the summer and early fall, but rose to above US$73/cwt at the end of the year. The average price of US$69/cwt was over 7 percent above the 1987 level. Utility cow prices bottomed in June, rose to US$48/cwt in September, but dropped back to US$42/cwt in early December. On average, cow prices were about 6 percent higher in 1988 than in 1987. Feeder cattle prices were also higher in 1988, averaging 11 percent above the year before.

Manitoba

At planting time, the southern Canadian prairies were faced with the lowest soil moisture level in forty years. Pastures were dry and some cattle had to be moved to better land further north. The drought continued in southern Saskatchewan and Manitoba for the remainder of the growing season. For those cattle producers who had to buy additional feed to supplement poor pastures, who were unable to cut sufficient quantities of hay from their land or who were short of water for their stock, 1988 was a difficult and expensive year. Decisions of whether the herd should be reduced or not had to be made. Although there was some additional cow culling in the south earlier in the summer, overall, Manitoba slaughter cow numbers in 1988 declined by 47 percent from the previous year. Part of the decline in the number of cows actually slaughtered was due to the unusual interest by local producers and other buyers in good quality younger cows for finishing or, if bred, to keep until spring. There appeared to be more profit in feeding cows than calves. In addition, many Manitoba slaughter cows had to be diverted to U.S. markets when East-West Packers and Custom Abattoir were on strike from mid-September to early December. Cow

prices remained above year-earlier levels for the first half of 1988, but from June onwards, declined to below the 1987 level because of the weaker Canadian market and local packing plant strikes. The average price for D1,2 cows in 1988 was up by over one percent from the year before.

Although Statistics Canada had estimated that the number of beef cows on Manitoba farms on July 1, 1988 was unchanged from the previous year, the number of steers and heifers destined for packing plants was down by almost one percent. There were relatively few locally-produced steers and heifers sold for slaughter in Manitoba in 1988, particularly during the packers' strike during September to December. In fact, many A1,2 cattle, which normally would have gone for slaughter in the province, were being sold as heavy, short-keep feeders to Saskatchewan and Alberta. This unusually large movement of feeder cattle to Saskatchewan over the past year or two, can be attributed to higher support prices under the Saskatchewan Beef Stabilization Plan, which allowed Saskatchewan producers to pay higher prices for feeder cattle. Manitoba producers were paid $83-86/cwt for "feeder" animals which otherwise would have received a liveweight slaughter price of $76-81/cwt. In turn, Manitoba packers have been buying A1,2 cattle from Saskatchewan. From April to August, 1988, there were over 30,000 steers and heifers shipped from Saskatchewan to Manitoba plants, more than double the number shipped during the same period in 1987.

Total sales of Manitoba-produced slaughter cattle (including exports) in 1988 are expected to decline by 19 percent to 180,000 head, while federal and provincial inspected slaughter, which includes cattle produced outside the province, could be down by 24 percent to total 184,000 head. Beef production in Manitoba in 1988 was only half of the 1986 level while Manitoba-origin slaughter cattle marketings (including exports) were about 65 percent of 1986 sales and only half of the sales in the peak year, 1977. With a large portion of Manitoba's calf crop being sold to out-of-province buyers in 1986, 1987 and 1988, with many local feedlots finishing cows or backgrounding cattle for Saskatchewan or Alberta feedlots and with decreasing numbers of Manitoba cattle being marketed for slaughter, Manitoba's cattle industry is changing. This has obvious implications for the province's cattle slaughter and packing sector.

A1,2 steer prices are expected to average $79-80/cwt in 1988, down by about 4 percent from 1987. Average prices for feeder steers over 800 lb. could be in the $85-86/cwt range, unchanged from 1987, while calves weighing 400-500 lb. are likely to

average close to $113-114/cwt, up by 3 percent from the record average price in 1987. If the value of the Canadian dollar had not increased by almost 8 percent relative to the U.S. dollar in 1988, these prices would have been higher.

1989 OUTLOOK

United States

A smaller calf crop, reduced numbers of feeder cattle and an expected slight increase in the retention of heifers for breeding herd expansion will result in a decline in slaughter cattle marketings in 1989. The December 1, 1988 cattle-on-feed report indicates a 5 percent decrease in fed cattle supplies in the first few months of 1989 compared to a year earlier. Smaller fed cattle marketings are expected to continue throughout the year, which, when combined with a reduction in non-fed slaughter, could result in a decrease of almost 7 percent in 1989 beef production compared to the 1988 level.

The U.S. cattle market will continue to be affected by changing developments in international trade. The European Community's January 1, 1989 ban on beef from cattle raised on growth harmones will mean U.S. sales of offal to European countries could be curtailed. This in turn will reduce packer margins and lower cattle prices. On the other hand, increased beef sales to Japan, and perhaps Mexico, may partially offset the negative impact of the EC ban. Trade between Canada and the U.S. will be affected by the relative values of the American and Canadian dollars and the supply of and demand for cattle on each side of the border, particularly in Alberta and the Western States.

Despite uncertainty regarding the effects of external factors on U.S. cattle prices, it is likely that reduced U.S. beef supplies in 1989, particularly in spring and early summer, will lead to higher slaughter cattle prices. Choice steer prices are expected to rise as high as US$80/cwt in the spring, but could average in the US$72-76/cwt range for 1989, up by about 7 percent from the 1988 level. However, pork and poultry supplies are expected to be ample, which could moderate fed cattle price increases. Cow prices are also likely to increase in 1989, unless another drought forces breeding herd reduction. Despite tighter supplies, feeder cattle and calf prices are expected to remain close to the 1988 average price due mainly to higher feed costs and interest rates.

Manitoba

The number of beef cows and heifers on Manitoba farms in 1989 is expected to

be close to the 1988 level. The total cattle inventory is also likely to remain unchanged. Interest in Manitoba calves and heavy feeders by Alberta and Saskatchewan buyers is expected to continue as long as cattle feeders in these provinces benefit from programs such as feed assistance and the Saskatchewan Beef Stabilization Plan. Unprotected by stabilization programs, Manitoba feedlot operators were at a disadvantage in bidding for calves in 1986, 1987, and 1988. This will continue to some extent until stabilization and other subsidy programs are equalized across the prairies. Manitoba and Saskatchewan have served notice of intent to join the National Tripartite Stabilization Plan for Beef Cattle in 1989, which could provide some incentive for additional cattle feeding in Manitoba.

Manitoba-origin slaughter cattle marketings could be in the 170-180,000 head range in 1989, down by 0-5 percent from 1988, depending on the demand for Manitoba heavy feeder cattle from out-of-province buyers. In the absence of packing plant strikes, inspected slaughter in the province is expected to exceed the 1988 level. However, local slaughterings will be reduced if Saskatchewan slaughter cattle, traditionally destined for Manitoba plants, are sold to the newly-expanded Canada Packers' plant at Moose Jaw or the Intercontinental plant in Saskatoon. The Cargill-Excel slaughter plant at High River, Alberta which will have the capacity to slaughter all cattle produced on the prairies, is expected to draw cattle from western and, perhaps, eastern Saskatchewan. This will mean Manitoba packers will face increased competition for slaughter cattle in 1989.

Despite continued large supplies of pork, particularly in the first half of 1989, the decline in North American cattle marketings is expected to raise Manitoba slaughter cattle prices to average above those in 1988. Assuming the Canadian dollar will remain at US$0.83 in 1989, A1,2 steer prices could be in the $80-84/cwt and $85-89/cwt ranges respectively in the first and second quarters, 1989. Somewhat lower prices are expected in the third and fourth quarters, particularly if it is a dry year. The 1989 average A1,2 steer price could be close to $81/cwt, up by about 2 percent from the year before, while D1,2 cow prices could increase by up to 4 percent to average in the $56-58/cwt range. The continued strong demand for feeder cattle and calves in 1989 is expected to keep average prices in the $84-86/cwt range for feeder steers (800+ lb) and in the $110-112/cwt range for 400-500 lb. steer calves.

Projected prices will be lower if the Canadian dollar increases in value relative to the U.S. dollar, feed costs rise, hog prices are lower than expected or the countervailing duty on EC beef coming into Canada is removed. Higher prices will

result if there is significant herd rebuilding across North America and cows and heifers are kept off the market, hog prices rise unexpectedly or North American consumer demand for beef increases.

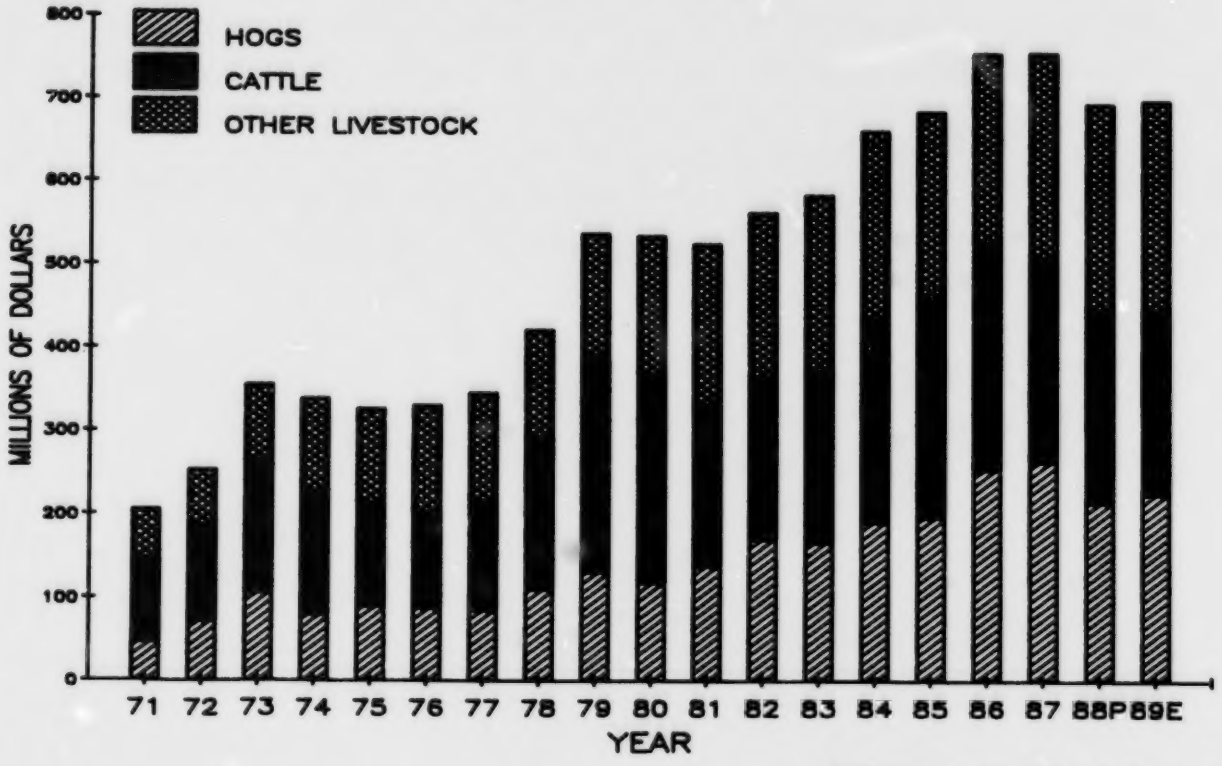
For further information on cattle, please contact:
Janet Honey, Chief, Economics and Market Analysis (204) 945-2364.

LIVESTOCK NUMBERS: MANITOBA AS A PERCENTAGE OF CANADA

LIVESTOCK TYPE	PERCENT OF CANADA
Total Cattle	8
Beef Cows	11
Dairy Cows	4
Hogs	11
Sheep	3
Chickens	7
Turkeys	9
Layers (Eggs)	11
MANITOBA POPULATION	4

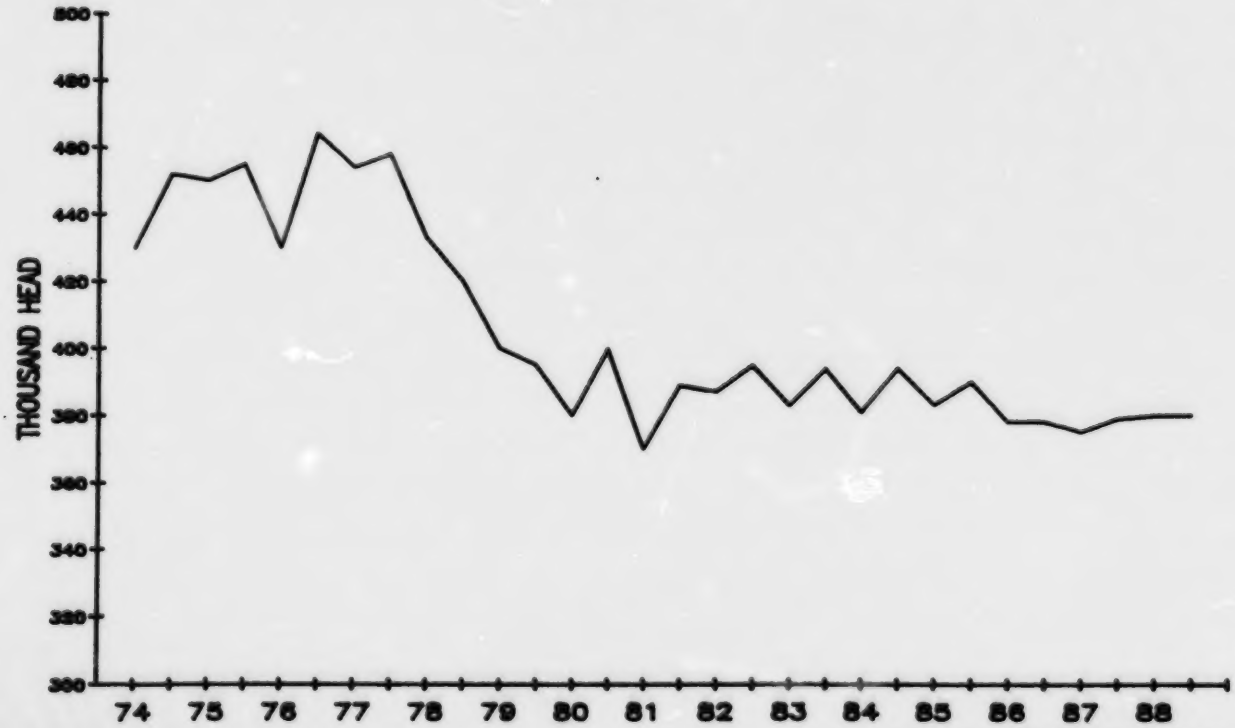
Datasource: Statistics Canada

FARM VALUE OF LIVESTOCK PRODUCTION, 1971-1989



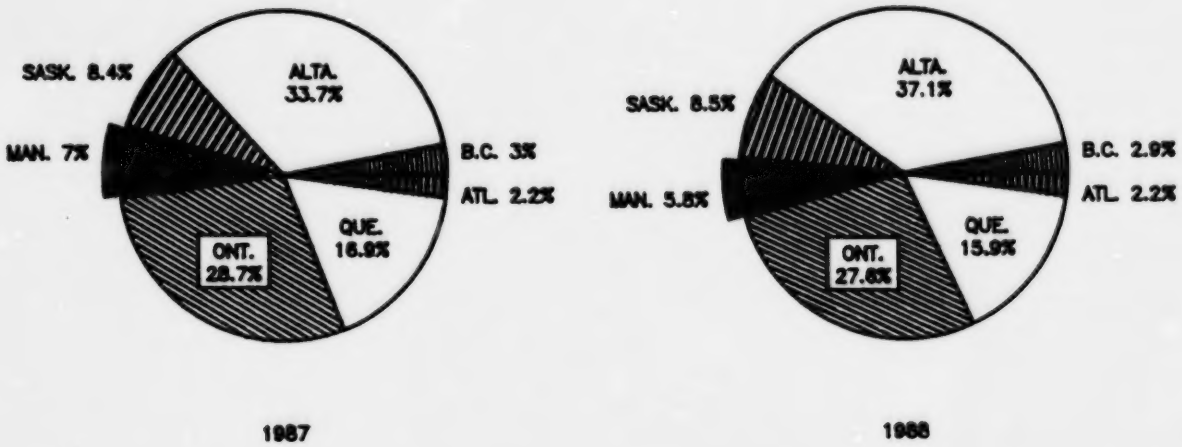
Datasource: Manitoba Agriculture

BEEF COWS ON FARMS, 1974-1988 MANITOBA

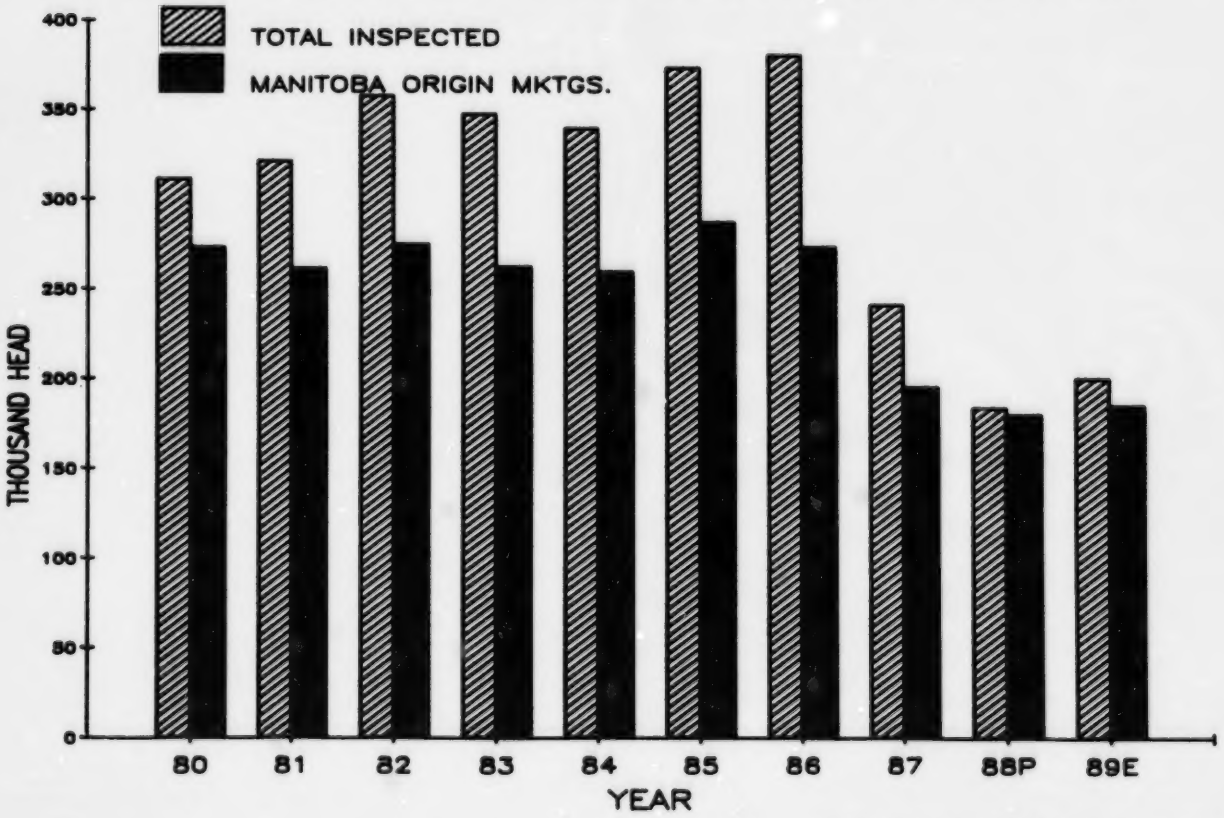


Datasource: Statistics Canada

FEDERAL/PROVINCIAL CATTLE SLAUGHTER BY PROVINCE, 1987 and 1988

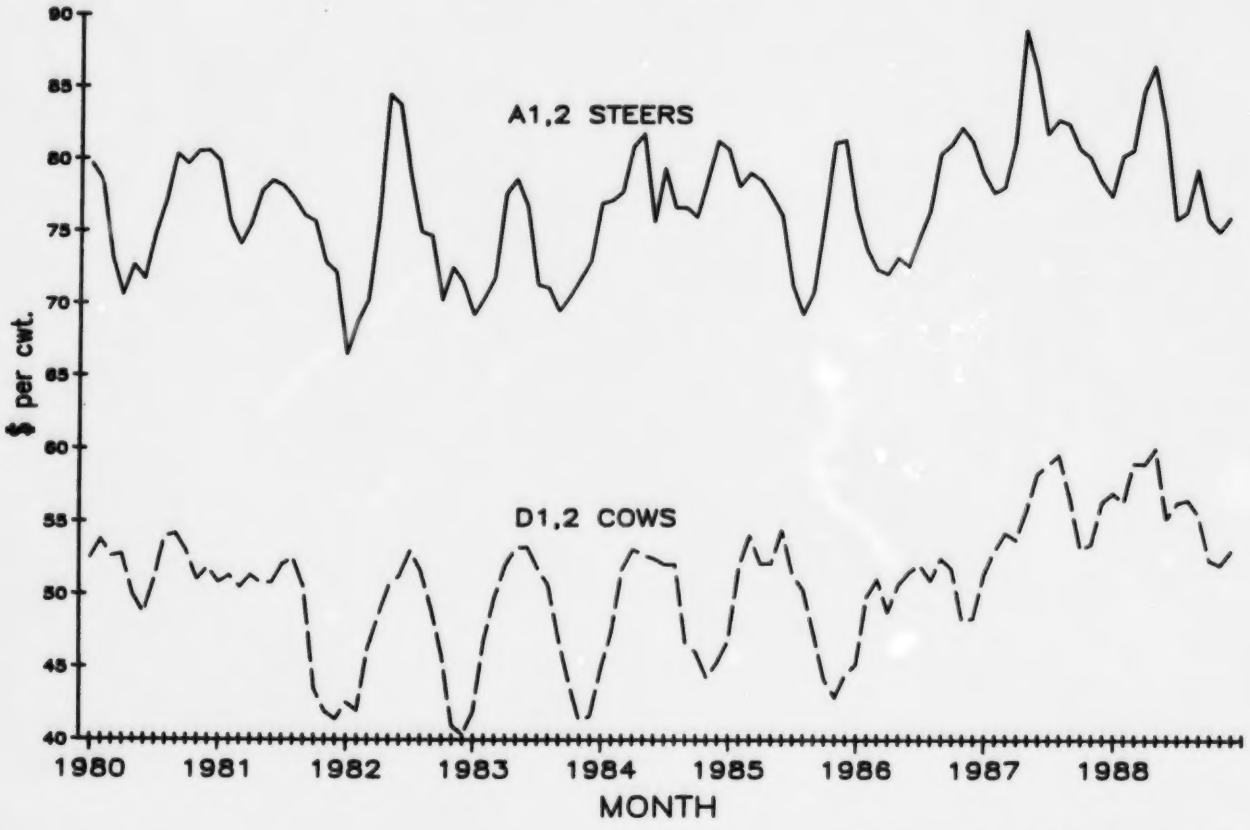


MANITOBA CATTLE SLAUGHTER, 1980-89



Datasource: Agriculture Canada

WINNIPEG CATTLE PRICES BY MONTH 1980-1988



Datasource: Agriculture Canada

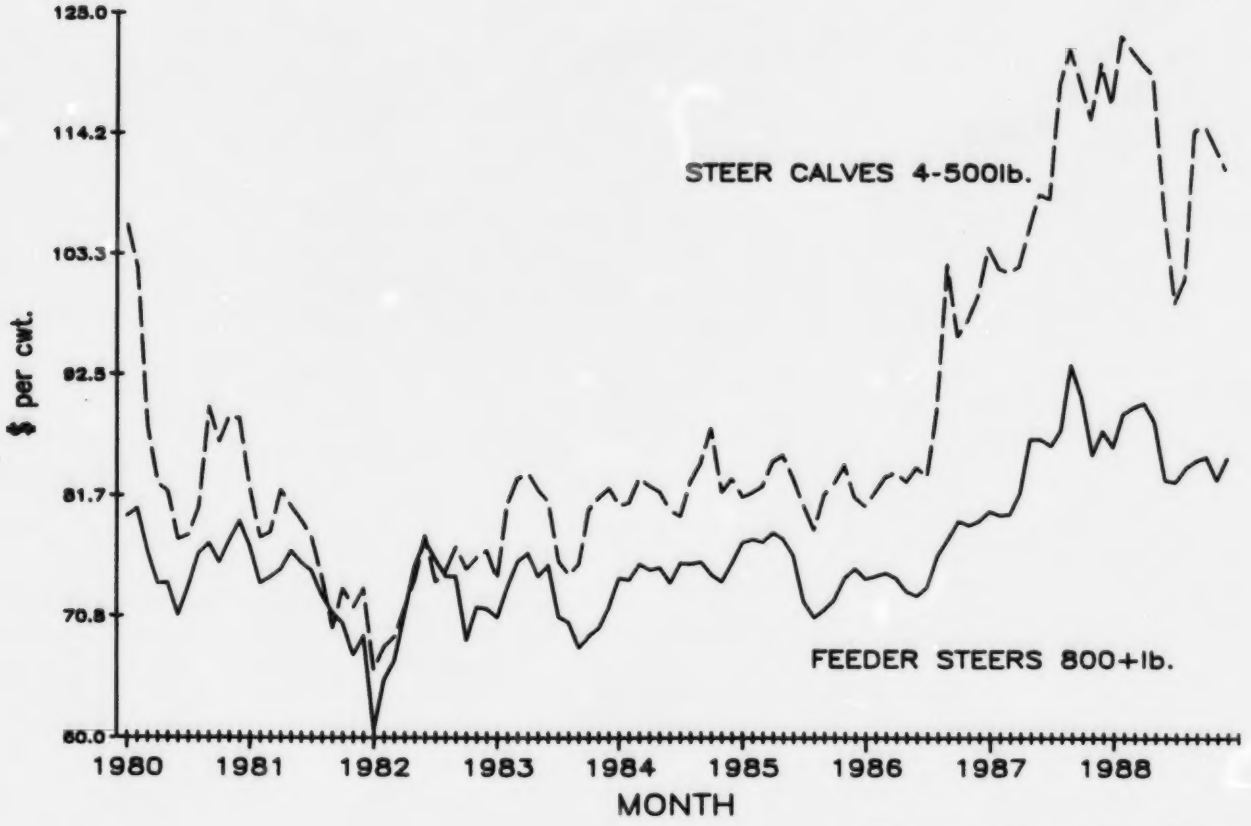
WINNIPEG PRICES FOR A1,A2 STEERS, 1987–89

	1987	1988 $/cwt	1989E
FIRST QUARTER	78.34	79.48	80–84
SECOND QUARTER	85.49	84.61	85–89
THIRD QUARTER	82.35	77.22	80–84
FOURTH QUARTER	79.80	75–76P	78–82
YEAR	82.80	79P	81

E:Estimate P:Projection

Datasource: Agriculture Canada

WINNIPEG CATTLE PRICES BY MONTH 1980-1988



Datasource: Agriculture Canada

WINNIPEG PRICES FOR GOOD FEEDER STEERS (800+LB) 1987–1989

	1987	1988 $/cwt	1989E
FIRST QUARTER	80.04	88.25	85–89
SECOND QUARTER	85.16	87.13	85–89
THIRD QUARTER	89.07	83.97	83–87
FOURTH QUARTER	87.76	84–85P	83–87
YEAR	85.51	85–86P	84–86

E:Estimate P:Projection

Datasource: Agriculture Canada

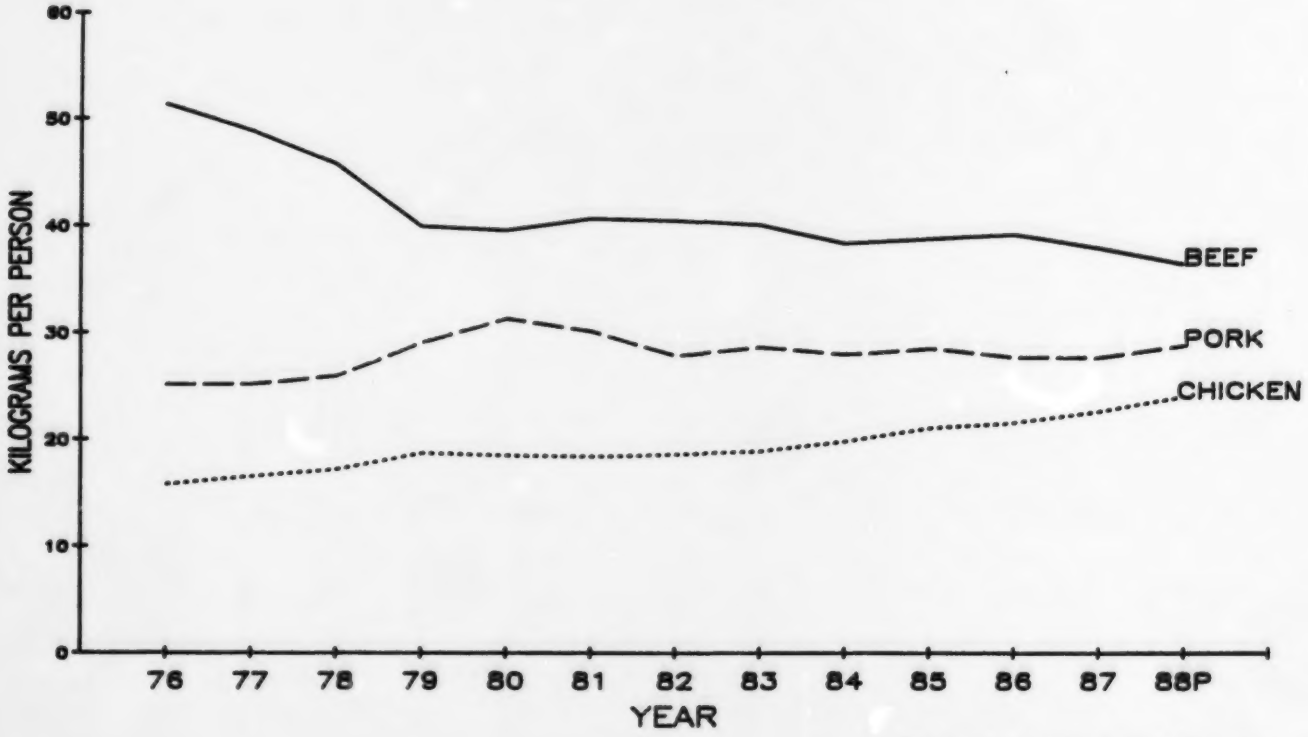
WINNIPEG PRICES FOR GOOD FEEDER STEER CALVES(4-500LB) 1987-89

	1987	1988	1989E
		$/cwt	
FIRST QUARTER	102.58	120.48	109-113
SECOND QUARTER	105.63	115.73	111-115
THIRD QUARTER	116.28	104.86	110-113
FOURTH QUARTER	118.23	111-113P	110-113
YEAR	110.68	113-114P	110-112

E:Estimate P:Projection

Datasource: Agriculture Canada

PER CAPITA DISAPPEARANCE OF MEAT CANADA 1976-1988



Datasource: Statistics Canada

HOG SITUATION AND OUTLOOK, 1988-89

1988 SITUATION

Manitoba exports about 78 percent of the hogs and pork produced in the province. This means that the market situation in other areas, particularly the United States, has a significant influence on Manitoba's hog industry. A review of the U.S. situation could help explain price movement in Manitoba.

United States

Herd expansion, which began in mid-1986, increased rapidly in early 1988. By June, the breeding herd was the largest since 1983. During the first two months of the year, hog slaughter declined in response not only to the additional sow and gilt retention but also to adverse weather conditions which interfered with hog marketings and reduced weight gains. Hog prices rose briefly to almost US$50/cwt (live) in February, but when weather conditions improved and slaughter increased, returned to the low US$40/cwt (live) range for the remainder of the first quarter. The discovery of traces of the drug, sulphamethazine, in pork exported to Japan added pessimism to the market in March. Commercial pork production during this period rose by 7 percent from a year earlier and stocks of pork in storage increased by 56 percent from the 1987 level. Anticipating higher hog prices in the second and third quarters, packers obviously did not intend to be caught with inadequate stocks as they had been in 1986 and 1987. As a result, unusually large stocks of pork plagued the market for the remainder of the year, rising at times to 80 percent above year-earlier levels.

Hog prices peaked at US$52.35/cwt (live) in June. However, the drought threatened crop yields and caused feed prices to rise, thereby increasing pessimism in hog markets and depressing hog prices, which fell by US$5/cwt in July. Throughout the summer, hog prices fluctuated in response to weather reports. Feeding margins were eroded rapidly and by the third quarter had become negative. The excessive heat, which accompanied the drought in major hog producing areas, also caused conception and farrowing problems during the summer. Although there was some drought-induced reduction in the breeding herd during June and July because of the poor profit situation, most producers, who were in a relatively strong financial position following the high prices and low feed costs in 1986 and 1987, did not reduce their herds to the same extent as in previous unprofitable years. The December 1, 1988 hog inventory report showed a two percent decrease in the breeding herd from the year before and a decline of 6 percent from July 1, 1988.

Instead of increasing seasonally, hog prices remained close to US$45/cwt (live) for July and August in response to year-over-year increases in hog slaughter, which were as large as 15 percent in July. By early September, forecasts of even greater volumes of hogs coming to market, combined with the already ample stocks of pork in storage, depressed hog prices to below US$40/cwt (live). Hog slaughter remained above the 1.8 million head per week level to the end of the year. Total pork production in 1988 rose by 9 percent from the previous year.

Consumer demand for pork was poor during the summer months as retailers resisted featuring pork despite the downtrend in hog prices. Bacon's popularity has declined, particularly among the health-conscious, and the movement of pork bellies was slow. Consumers were not encouraged to switch from poultry and beef to pork so the massive pork stocks remained. At the end of 1988, cold storage stocks were up by about 45 percent from the year before.

Average hog prices for 1988 could exceed US$43/cwt (live), down by 17 percent from 1987. However, the increased value of the Canadian dollar relative to the U.S. dollar meant that U.S. hog prices converted to the Canadian equivalent on a dressed weight basis actually declined by 21 percent in 1988.

Manitoba

The strengthening of the Canadian dollar in the first quarter, 1988 exerted additional downward pressure on Canadian hog prices which were already affected by the 6 percent increase in Canadian hog slaughter and a weaker U.S. market. The relatively strong dollar throughout 1988 depressed Manitoba hog prices by an average of about $19/100 kg ($8.50/cwt) or 11 percent.

The number of hogs on Manitoba farms was up by 6 percent on January 1, 1988, but, by April 1, had declined to 4 percent above year-earlier levels. However, herd expansion in Manitoba was modest compared to that in Saskatchewan and Alberta, where the numbers of hogs on January 1 were up by 18 percent and 13 percent respectively. Over the year, Manitoba-origin hog slaughter, at 1.8 million head, increased by almost 9 percent from the 1987 level, while Saskatchewan and Alberta-origin slaughter increased by 22 percent and decreased by 3 percent respectively. Manitoba captured a larger share (12 percent) of national hog slaughter in 1988.

With hog marketings increasing and domestic consumption unable to keep up and because of strikes at slaughter plants in Alberta, Ontario and Manitoba, additional

hogs had to be exported to the United States in 1988. Alberta was affected by a major packing plant closure for five months so was forced to increase hog exports to the U.S. by 145,000 head or over 300 percent. Exports through Saskatchewan ports of exit rose by 78,000 head or over 800 percent while those through Manitoba increased by over 90,000 head or 80 percent. Besides shipping more slaughter hogs to the U.S. in 1988, Manitoba exports of weanlings increased significantly to total about 120,000 head. Although Canadian hog exports increased by 120 percent, exports of pork to the U.S. declined by over 1 percent.

The proposed increase in slaughter capacity and activity at two major Manitoba plants did not proceed as planned which meant less competition in the local hog market than anticipated.

Manitoba Index 100 hog prices followed the U.S. trend throughout the year, peaking at $160.46/100 kg ($72.78/cwt) in mid-June. By the fourth quarter, prices declined to a low of $111.85/100 kg ($50.74/cwt) in November, the lowest level since 1980. Once the striking packing plants returned to full operation in early December, hog prices rose to $127/100 kg ($57.60/cwt). It is estimated that Manitoba hog producers lost about $4-5/100 kg ($2/cwt) or a total of $1.4 million because of the strikes. The average Index 100 hog price for 1988 was close to $133/100 kg ($60/cwt), a decrease of 23 percent from the $173/100 kg ($78.50/cwt) recorded in 1987.

The low hog prices and increased cost of feed placed Manitoba hog producers in an unprofitable position during the second half of 1988. The Manitoba hog-barley ratio, which is used as an indicator of profitability, declined to below 18:1 from a peak of 62:1 in August, 1987. It is estimated that feeding hogs is the most profitable way of marketing barley if the hog-barley ratio is above 20:1, depending of course on non-feed costs. Previous unprofitable periods occurred in 1979-81 and 1983-85.

OUTLOOK 1989

An overview of the U.S. market situation expected for 1989 will give an indication of factors which could affect Mantioba hog producers in the coming year.

United States

The December 1, 1988 hog inventory report estimates that the breeding herd was 2 percent below the level of a year earlier, which points to a suspension of hog herd expansion in the U.S. The June-August, 1988 pig crop was up by over 2 percent from the year before, lower than expected because of the loss in new-born pigs due to heat

stress in the summer. This indicates that hog slaughter during the first quarter, 1989 could exceed year-earlier levels by about 2 percent. The September-November 1988 pig crop was only 1 percent above the 1987 level, which could mean a 1-2 percent increase in second quarter, 1989 hog slaughter. Hog slaughter in the third and fourth quarters is likely to be 1 and 4 percent respectively below the same quarters in 1988. In the absence of another drought, third quarter slaughter is expected to decline seasonally from the second quarter, unlike the situation in 1988 when the drought forced a counter-seasonal increase in third quarter slaughter.

U.S. imports of pork for 1989 are expected to remain close to 1988 levels, but pork exports could decline, particularly to Japan, when Taiwan recovers the Japanese market share lost in 1988 because of sulphamethazine residue concerns.

Although storage stocks of pork are expected to remain at higher than normal levels throughout most of the year, reduced beef supplies and the anticipated decline in pork production in the second half of the year could encourage packers to bid more aggressively for hogs than they did in 1988. First quarter hog prices could average in the US$41-45/cwt (live) range, rising to the high US$40's/cwt at the winter peak. Average hog prices could increase to the US$44-48/cwt range in the second and third quarters, but decline back to US$41-45/cwt in the fourth quarter when a seasonal increase in hog slaughter occurs. On average, hog prices in 1989 could be about 3 percent higher than in 1988.

Manitoba

Index 100 hog prices are expected to follow the general direction of U.S. hog prices. However, if the Canadian dollar continues to increase in relation to the U.S. dollar, Canadian hogs and pork will be more expensive for U.S. buyers, demand will decrease and prices will fall. The estimated $25/100 kg or $11/cwt decline in Manitoba hog prices for every 10¢ increase in the value of the Canadian dollar could continue to apply in 1989. The relative level of the Canadian and U.S. currencies is likely to have more impact on Manitoba hog prices in 1989 than the level of countervailing duties on hogs (or pork) exported to the U.S. Producers are currently paying duties of 2.2¢/lb on live hog shipments.

The October 1, 1988 hog inventory report estimates a one percent increase in the Manitoba breeding herd compared to a year earlier. June-September, 1988 farrowings increased by 3 percent, which could raise first quarter, 1989 hog production by a similar percentage. If October-December, 1988 farrowings increase by 2 percent

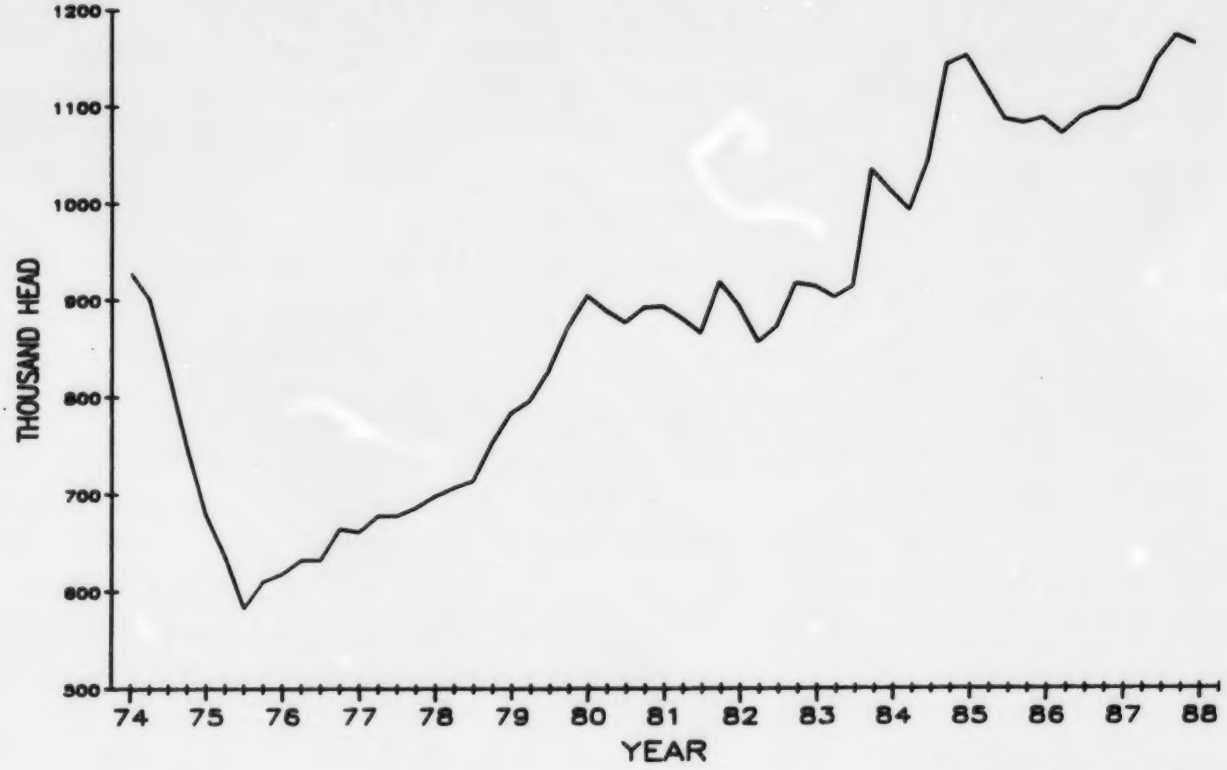
as expected, it is likely that Manitoba hog production in the second quarter, 1989 will exceed the previous year's level by 2 percent. Third and fourth quarter, 1989 production could equal or be slightly above the 1988 level.

Hog exports to the U.S. in 1989 will probably be below those in 1988, particularly if all Manitoba hog slaughter facilities remain in full operation during the year. Slaughter capacity in the province could exceed 42,000 head per week in 1989, sufficient to accommodate more than 2 million hogs per year. However, 1989 Manitoba-origin hog slaughter is expected to be close to 1.83 million hogs, up by 1.5 percent from 1988. An increased demand for hogs by Manitoba packers could encourage weanling exporters to keep and feed more weanlings for slaughter in the province. Total Manitoba hog production in 1989 could be over 2.1 million head.

If the Canadian dollar remains at US$0.83, then local Index 100 hog prices could average in the $125-135/100 kg ($57-61/cwt) range in the first quarter, 1989, rising to $135-145/100 kg ($61-66/cwt) in the second quarter. The projected reduction in U.S. hog supplies could push third quarter prices up to the $145-155/100 kg ($66-70/cwt) range, while the seasonal increase in U.S. hog marketings expected in the fourth quarter could mean a decline in Manitoba hog prices to the $140-150/100 kg ($64-68/cwt) range. Overall Manitoba hog prices in 1989 could average $140/100 kg ($64/cwt), a 7 percent increase from 1988. A higher or lower valued dollar would affect local hog prices accordingly. Other factors which could affect hog prices in 1989 include the introduction of a countervailing duty on Canadian pork entering the U.S., a change in pork exports to Japan, a change in forecasted U.S. poultry or beef supplies and consumption, and the weather.

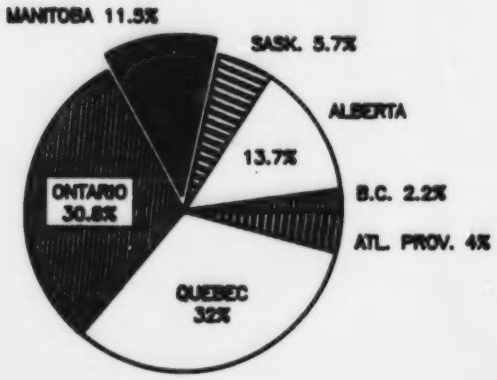
For further information on hogs, please contact:
Janet Honey, Chief, Economics and Market Analysis (204) 945-2364.

MANITOBA HOGS ON FARMS BY QUARTER, 1974-88

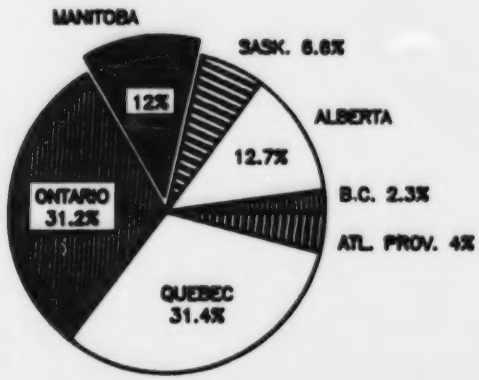


Datasource: Statistics Canada

HOG SLAUGHTER BY PROVINCE OF ORIGIN 1987 and 1988



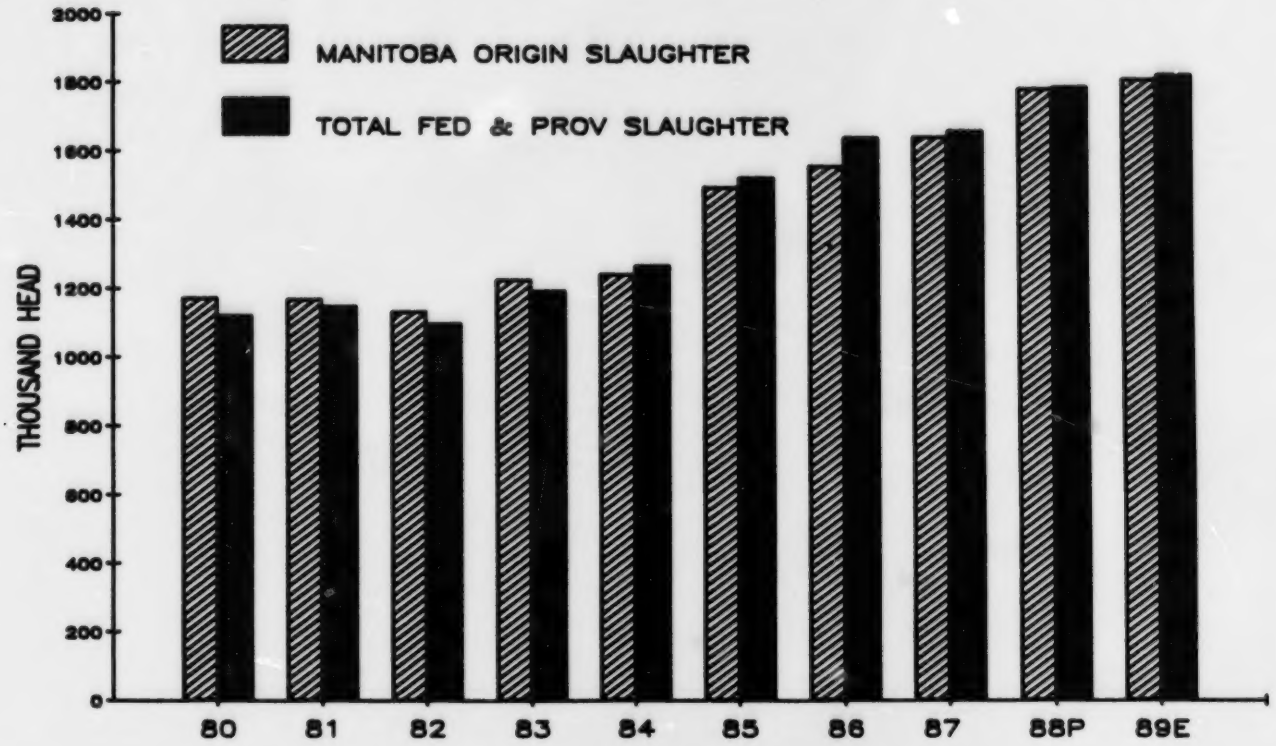
1987



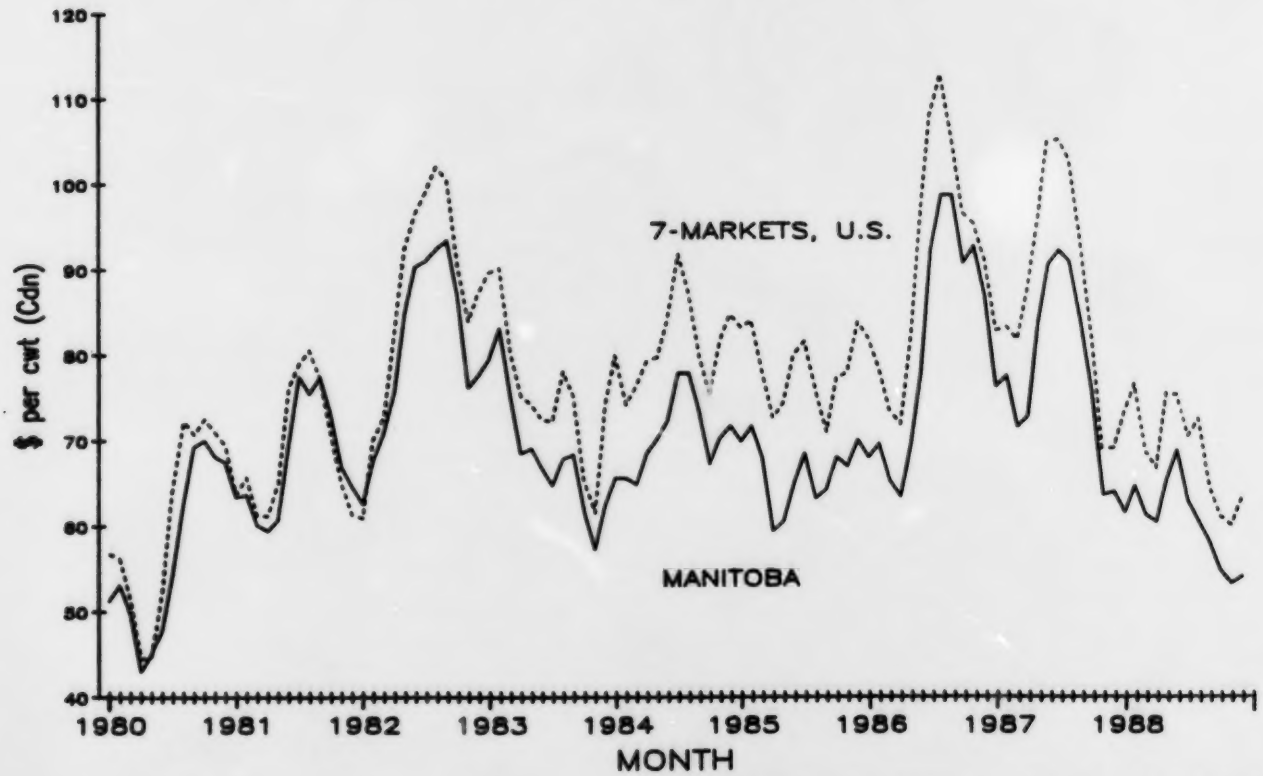
1988

Datasource: Agriculture Canada

MANITOBA HOG SLAUGHTER NUMBERS 1980-89



HOG PRICES BY MONTH, 1980-88
Index 100 dressed weight



Datasource: Agriculture Canada & U.S.D.A.

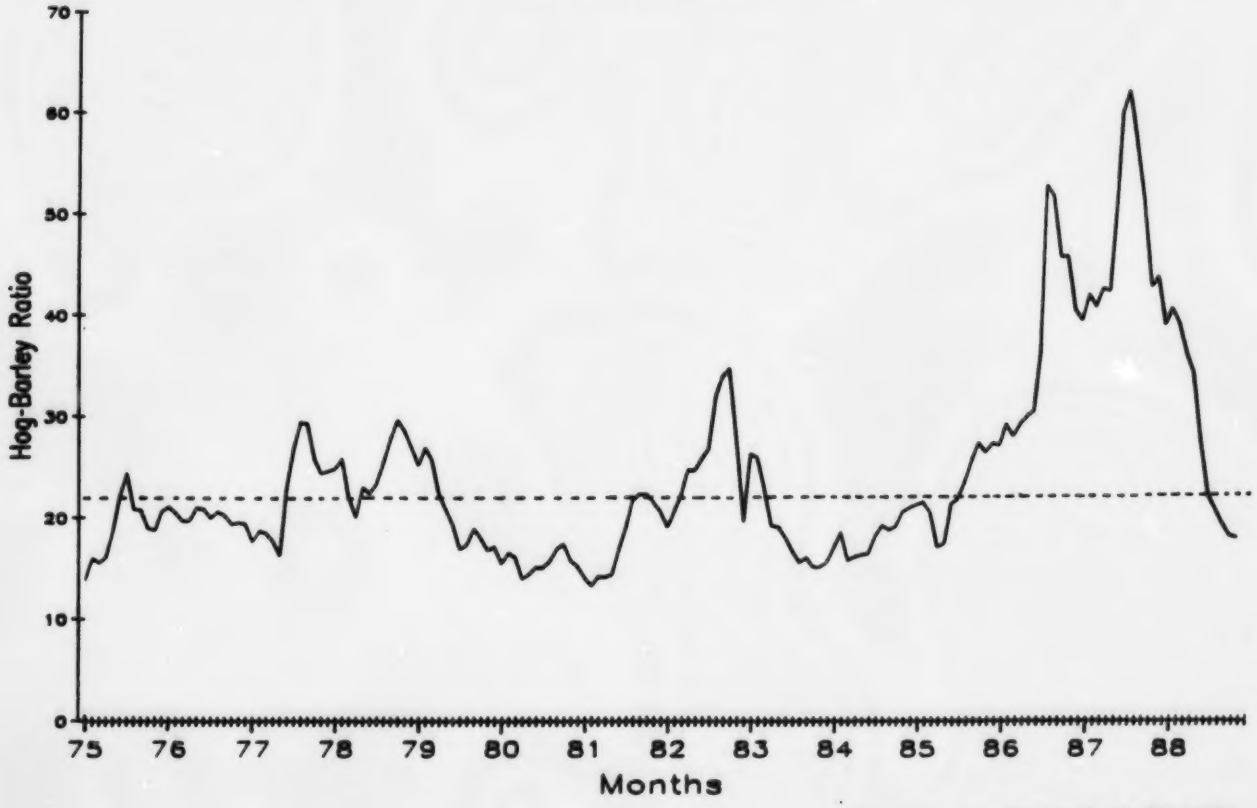
WINNIPEG PRICES FOR INDEX 100 HOGS, 1986–1989

	1986	1987	1988	1989E
			$/100kg	
FIRST QUARTER	148.90	165.54	137.43	125–135
SECOND QUARTER	154.70	181.59	142.77	135–145
THIRD QUARTER	212.92	196.14	132.89	145–155
FOURTH QUARTER	197.71	149.07	119p	140–150
YEAR	178.80	173.08	133p	140

E:Estimate p:projection

CYCLICAL CHANGES IN THE HOG-BARLEY RATIO

Live Basis-Winnipeg
1975 - 1988



Datasource: Agriculture Canada
Manitoba Agriculture

CEREALS AND OILSEEDS SITUATION OUTLOOK

OVERVIEW

Drought has resulted in low production and higher prices in 1988/89. This is a reversal of the downward price trend that began in 1985/86. For the second year in a row, world grain and oilseed consumption will surpass production and, by crop year-end, carryover levels will be extremely low, particularly in Canada and the United States. The drought was primarily a North American phenonemon, however, and non-North American production is generally higher. As a result, some shifts are occurring in trade patterns. The European Community (EC) is increasing its export share while the U.S. is maintaining a high level of exports at the cost of a severe stock drawdown. The low Canadian crop will force a 40 to 50 percent decline in Canadian grain exports, and carryover levels of Red Spring and Durum wheats, oats, rye and flaxseed will be low.

Despite the tighter world supply of grains, little progress has yet been made through the General Agreement on Tariffs and Trade on halting the use of export subsidies on grain. With the higher prices, the U.S. and EC subsidy levels have declined to some extent, but they are being applied to most sales, and to a greater degree on sales to the largest importers. In the case of canola/rapeseed oil, the EC subsidies into India, a major world market, have apparently reduced prices below Canadian production costs, effectively preventing any competition.

By the spring of 1989, world stock levels will be tight and off-Board prices could be volatile. In most recent drought years, however, prices have tended to follow the "short-crop - long tail" phenomenon of higher prices at the start of the crop year, trending downward toward the end of the year. Oilseed prices, in particular, will be influenced by the progress of the South American soybean crop. Although hampered by dry weather and planting delays, current estimates indicate a moderate South American production increase over 1988. Domestic feed grain prices, on the other hand, generally tend to return to post-harvest levels by late spring; feed barley and oat domestic prices and supplies will be heavily dependent on the CWB export program. Winter and spring precipitation levels will be crucial to new-crop prospects, to producer willingness to deliver, and to late-year prices.

World crop production is currently expected to increase substantially in 1989/90. The U.S. is expected to plant an additional 20 to 30 million acres of grains and soybeans. The 1989 U.S. acreage reduction program requires only a 10% set-aside for

wheat and coarse grains, and includes some incentives to produce oats and double-cropped soybeans. In Canada, plantings may increase only slightly, but a more normal harvested-to-planted ratio and more normal yields will produce a much larger crop. In the USSR, winter grain planting is reported to be similar to last year, but in the EC, it has increased. Around the world, producers are expected to increase production in response to the current, improved prices.

Only unfavourable weather will prevent increasing supplies and decreasing prices into 1989/90 and 1990/91. Depending on the 1989/90 world crop size, "surplus" or carryover stocks may not become burdensome until the 1990/91 crop year. Once surpluses build, however, world prices will again gravitate to the decreasing U.S. loan rates through to 1990/91, as dictated by the 1985 U.S. Farm Bill.

WHEAT SITUATION AND OUTLOOK

Supplies

Severe drought conditions reduced the North American (Canadian and U.S.) wheat crop a total of more than 18 million tonnes, or 22%, from the previous crop. Since the bulk of the damage was to spring wheat, the Canadian crop declined 40%, while the total U.S. wheat crop declined 14%. Dry conditions have plagued most major crop areas of the world during the current crop year. Nevertheless, total world wheat production may be little changed from the previous year, an estimated 502.5 million tonnes, down only slightly from the 504.3 million of 1987/88, according to the USDA China, the USSR, Australia and the European Community (EC) have larger crops, while eastern European and Argentine crops are smaller. China's wheat crop is currently estimated to be virtually identical to 1987/88. The USSR harvested an estimated 88 million tonne crop, compared to 83.3 million in 1987.

China is currently expected to import slightly less wheat than the 15 million tonnes of 1987/88, although internal procurement and pricing problems are causing reported shortages in the large coastal cities. During December, China had made sizable purchases of U.S. Export Enhancement Program (EEP or BICEP), subsidized wheat. The USSR has harvested a larger, good quality crop and, in addition, has shifted from feed wheat imports to imports of cheaper feed grains, and soymeal. USSR wheat imports are expected to drop to 13 to 15 million tonnes, from 21.5 million in 1987/88. In late November, the USSR and the U.S. signed a two-year extension of their long-term grains agreement. It was not until late December that the U.S.

offered to sell the USSR one million tonnes of subsidized wheat; the subsequent bids were the first since the spring of 1988. Prior to that, the EC had been the major USSR supplier.

Trade in wheat is expected to decline 7.6% in 1988/89. The greatest decline will be due to a near halving in wheat exports from Canada. The U.S. has chosen to maintain both a high level and subsidization of exports, despite facing a severe drawdown in year-end carryover. Accordingly, the USDA is projecting only a 4 million tonne drop in crop-year exports. The EC, in contrast, is expected to increase exports to compensate for the U.S. decline. By the end of 1988/89, world wheat carryover will have dropped more than 20% to a 2 1/2 month supply. U.S. carryover will have declined nearly 60% over the year, 70% over 2 years.

The Canadian crop totalled only 15.7 million tonnes, down from 26 million tonnes in 1987. In Manitoba alone, the drought reduced both the average yield and the total crop by 39%. Manitoba's crop totalled 2.4 million tonnes, including Durum, compared to 3.9 million tonnes in 1987. The drought produced a high-quality crop; however, the Canadian production of the top two grades of Red Spring wheat may be 25% smaller than last year. Approximately 47% of the western Canadian Red Spring wheat is expected to grade #1CW, with 34% grading #2. In Manitoba, as much as 75% of the wheat crop may grade #1 and 20% #2, according to Manitoba Pool Elevators. The short crop is expected to restrict Canadian wheat exports to nearly half of the 1987/88 level, as shown on the accompanying supply/disposition table. The early year pace of exports was rapid but, by mid-December, exports (including Durum) had reached a total of 6.5 million tonnes, already 28% behind the year-ago level. Canadian wheat carryover is expected to dip to under 4 million tonnes by July 31, 1989, approximately half of the previous year.

World wheat production is expected to rebound in 1989/90, weather permitting. Mid to late-December saw some improvement in snow cover and rainfall over much of the North American crop area, although subsurface recharge may require 12-18 months of more normal precipitation in the driest areas. Canadian plantings may increase two to three million acres; however, more normal yields are expected and the crop could increase 50 to 80% over 1988. The U.S. acreage reduction for 1989 has been reduced to 10% from 27.5% in 1988, and plantings are expected to increase 10-13 million acres. To late December, most of the U.S. winter wheat crop was rated in fair to good condition. Plantings in the USSR are reported at about the same level as last year. But in western Europe, plantings have increased.

If the U.S. succeeds in increasing the planted area by 12 million acres, has a more normal harvested-to-planted ratio, and reasonably good yields, its total wheat supply for 1989/90 would be virtually identical to 1988/89, under the current, high use/low carryover scenario. It would therefore take until 1989/90 for U.S. supplies to become burdensome. Together, however, Canada and the U.S. could add another 25 to 35 million tonnes to 1989/90 global wheat production. The International Wheat Council is currently predicting a 50 million tonne increase in 1989/90 production for a global wheat crop of 550 million tonnes.

Prices

Canadian high-protein wheat prices are approximately 35% above the January 1988 level, despite the strengthening in the Canadian dollar. Export prices for No. 1CW Red Spring, 13.5%, have generally been in the $240-250/tonne ($6.50-6.80/bushel) area, basis in-store St. Lawrence, since early July. Domestic feed wheat, however, is in short supply, and is currently 75-80% above the year-ago level.

Wheat prices have maintained more consistent levels than other grains this crop year. Wheat prices peaked in September/October, then eased, but have since recovered to the previous highs. In the U.S., the spring wheat crop sustained nearly a 60% loss. Still, the Minneapolis spring wheat futures have generally been below the soft and hard winter prices, primarily because the latter two types have been more prominent in subsidized export sales. By December, U.S. export wheat prices were 30 - 37% ahead of the year-ago level. The largest gains were off the Pacific Northwest coast, likely because of the early-season dominance of the Asian market. Both Argentine and Australian prices have risen close to the U.S. price, while the Canadian prices have gained over the U.S.

Despite the tighter North American situation, 1988/89 remains a buyer's market, with both the U.S. and the EC subsidizing exports. U.S. subsidies have ranged from $2.40-37/tonne (US$2-30), compared to the usual $30-62 (US$25-50) in 1987/88. The U.S. selling price of soft and hard winter wheats to China was reported at approximately $150 basis Thunder Bay. At the end of December, the USSR paid $185 (US$154), approximately $159 basis Thunder Bay. November and December wheat flour subsidies to Cameroon and Iraq amounted to $73-75/tonne (US$61-62.40). The EC, in turn, has applied additional export rebates or subsidies to both the USSR and China. In late December, the EC was offering wheat to China at $160-170 (US$141-142), the equivalent of approximately $145-146 at Thunder Bay. In comparison, the

CWB asking price for 12% protein Hard Red Spring at the end of December was approximately $222/tonne.

If world wheat production increases in 1989/90, and carryover levels begin to rise, prices will once again trend downward. Assuming more normal yields, U.S. wheat prices are expected to level out in 1988/89 and could decline in the area of 5-15% into 1989/90. On the Chicago exchange in late December, 1989-crop prices were 7-10% below the nearby March contract.

The producer return for ordinary No. 1CW Red Spring from the 1987/88 pool amounted to $134.02/tonne ($3.65/bushel), basis Thunder Bay, or $121.08 ($3.29) basis Winnipeg. The 1988/89 initial was increased on November 17, 1988, to $170 ($4.63) basis Thunder Bay, or $155.02 ($4.22) at Winnipeg; at present, it appears that the total for 1CWRS could be as much as $185-205 ($5.00-5.60), basis Thunder Bay. If larger crops appear imminent, the initial CWB payment will likely decline towards the early 1988/89 level of $150 ($4.08) for No. 1CWRS. A larger crop would reduce Canadian wheat prices to a greater extent than those in the U.S., and overall, Canadian prices could decline 10-20% in 1989/90.

DURUM WHEAT

Supplies

North American Durum wheat crops were more than halved by the 1988 drought. In Canada, the crop was reduced to 1.93 million tonnes, a 52% decline from the 4.01 million tonne crop of 1987. A 1.5 million tonne stock at the beginning of the season still resulted in Canadian crop-year supplies nearly 40% below the 1987/88 level. In the U.S., production declined 51% to 1.25 million tonnes, but with a 2.26 million tonne carry-in, supplies are down less than 30%. Because of the dry year, quality levels are high and milling demand, both domestic and foreign, has been good, although prices are proving to be some deterrent to demand.

The pace of Canadian Durum exports has been extremely good early in 1988/89. Major purchasers have included the USSR, Italy, and Algeria, all of which increased early season purchases over the year-ago level. As with other wheats, the pace will slow drastically in the latter part of the crop year. Both U.S. and Canadian Durum exports will also be drastically reduced by the tighter supply situation. In addition, the U.S. will be importing Durum. By the end of 1988/89, the Canadian carryover of Durum is expected to dip to approximately 500 000 tonnes. In the U.S., carryover is expected to be approximately 1.44 million tonnes, a decline of 36% and roughly equivalent to the U.S. yearly domestic demand.

Durum production in both Canada and the U.S. is concentrated in the driest areas of the prairies. As such, production levels for 1989 will be heavily dependent on moisture recharge, which has not yet occurred to any great extent. Double-cropped "Desert Durum", planted in November to January in the southwest U.S., has increased in both quality and area in recent years, and has apparently begun to move into irrigated areas of the Midwest. In 1988, it accounted for approximately 104,000 acres and nearly 20% of the U.S. crop; for 1989/90 harvest, U.S. Desert Durum fall plantings are expected to have doubled.

Prices

Canadian export Durum prices began the current crop year at approximately $304/tonne ($8.30/bushel), basis in-store St. Lawrence. By late December, the export price had declined to the $277 level ($7.50), or approximately $254.75 ($6.90) at Thunder Bay. This was still 19% higher than at January 1, 1988, and at a 10% premium over Red Spring. The price of Durum to Canadian millers has been at $309.71/tonne ($8.43/bushel) since October, down from the earlier level of $333.76 ($9.08), basis Thunder Bay; however, this is a $55/tonne ($1.50/bushel) premium over the export price. It appears that much of the decline in the Canadian export asking price is due to reduced prices and domestic purchasing in U.S. markets. A number of U.S. mills apparently stocked up early in the season and halted purchasing during October/November, lessening market demand. As a result, U.S. prices declined $44/tonne (US$1/bushel) between mid-November and mid-December. Added U.S. miller purchasing and price strength is not expected to occur until late January or February.

The shorter U.S. crop has not prevented the U.S. from applying export subsidies to sales of Durum. In October and November, Algeria received "bonuses" of $25-27/tonne (US$20.59-31.94/tonne).

The 1987/88 Durum pool provided a payment to producers on No. 1CW Amber Durum of $169.36/tonne ($4.61/bushel), basis Thunder Bay, compared to $150.20 ($4.09) in 1986/87, and $181.30 ($4.93) in 1985/86. For 1988/89, the initial price of 1CWAD has been set at $175.00 ($4.76); it appears that the total payment for 1CWAD could be in the area of $215-235 ($5.85-6.40) basis Thunder Bay. Wheat production is expected to increase next year, and prices to decline in the area of 10-15%. However, the low Durum carryover from 1988/89 should maintain Durum prices at a premium to Red Spring wheat.

COARSE GRAINS

Supplies

The 1988 drought has succeeded in cutting the world carryover of coarse grains to one-half the peak level of 1986/87. World production of all coarse grains declined 10% or nearly 78 million tonnes in 1988/89, to a total of 712.7 million. Some 73.5 million tonnes of the production shortfall occurred in the U.S. alone, and U.S. coarse grain carryover is expected to total only 52 million tonnes by the end of 1988/89, a decline of more than 60% from 1987/88, 66% from 1986/87. Canada produced 23% less than in 1987/88, and by year-end, carryover is expected to have declined by 30-40%. The USSR, Eastern Europe, China and Argentina also harvested smaller crops. Despite the EC intention to introduce financial and set-aside disincentives to overproduction, and an agreement to import U.S. corn and gluten, the EC increased production 7% in all. Spain, a new entrant to the EC, produced a record corn crop.

Despite the production declines, world trade is expected to increase less than 6%. Japan remains the world's major coarse grain importer at 22.7 million tonnes. The EC will be importing less and exporting more.

China's wheat crop is reportedly similar to 1987/88, but the coarse grain crop has declined an estimated 4%. Government pricing and procurement problems, however, have resulted in critical shortages in the eastern coastal cities of China, and the reported slaughtering of animals because of locational feed shortages. Despite this, the International Wheat Council is currently forecasting coarse grain imports by China at only 800 000 tonnes. In the USSR, the wheat crop is larger this year and reportedly of high quality, but feed grain production has declined 14%, making feed grain imports a priority. Reports indicate meat rationing has been imposed in the USSR in recent weeks, despite considerable imports of grains, particularly U.S. corn, already this year. Earthquake relief efforts in Soviet Armenia will also require additional food supplies. USSR feed grain imports are currently expected to reach 17 million tonnes in 1988/89, compared to 10 million in 1987/88. Much of these imports will be corn and sorghum, because of the relatively higher price of barley in 1988/89.

OATS

Supplies

Exportable oat supplies have declined in 1988/89. The major shortfalls have occurred in the U.S. and in Scandanavian countries. In Canada, an increase in area compensated for lower yields to produce a 2.99 million tonne crop, virtually identical

in size to that of 1987/88. In Manitoba, however, poor yields were mainly responsible for a virtual halving of the crop to 224 000 tonnes. Supplies of 1988/89 Canadian oats have declined only slightly from the previous year. The U.S., however, harvested a crop of 3.25 million tonnes, 44% below 1987/88. The United States Department of Agriculture (USDA) is predicting a 30% increase in U.S. oat imports to a total of 925 000 tonnes. U.S. oat exports, mainly to Canada, will continue minimal. Both Sweden and Finland are also U.S. suppliers but have smaller oat crops this year, while the U.S. prohibits imports of Australian grain for reasons of plant disease control. Canada and Argentina, therefore, are likely to export more oats to the U.S. in 1988/89. To mid-December, Canadian oat exports were nearly 50% ahead of the year-ago pace, totalling 145 000 tonnes, nearly all of which were destined for the U.S. By the end of 1988/89, U.S. oat stocks are expected to dip to 1.25 million tonnes, 27% below June 1, 1988. The Canadian carryover is expected to drop more than 20%.

Production of oats in both Canada and the U.S. is expected to rebound in 1989/90 because of current high prices, a return to more normal crop conditions, and farm programs in the U.S. For the second year in a row, U.S. oat producers will be required to idle only 5% of their base acreage, although other feed grains must be reduced 10% (compared to 20% in 1987/88).

Prices

The nearby oat contracts on the Chicago Exchange rose abruptly in mid-December to the $171-187/tonne (US$2.20-2.40/bushel) area, more than 25% above January 1, 1988. Good quality oats are in short supply in the U.S., but arrivals in Minneapolis have apparently been only fair; good quality No. 2 heavy oats were about $208/tonne (US$2.67/bushel) in mid-December. In the northern U.S., the top cash price is at Duluth, where cash oats were priced at $221/tonne (US$2.84/bushel). On the Winnipeg Exchange, recent prices for the nearby contract have been in the $150 ($2.31) area. At local elevators, off-Board feed oats have been in the $140-145/tonne ($2.15-2.25/bushel) area for much of the crop year, compared to $80-95 ($1.25-1.50) last January.

The 1987/88 regular oat pool payment for No. 3CW (Feed) oats amounted to $124.04/tonne ($1.91/bushel), basis Thunder Bay, compared to $93.27 ($1.44) in 1986/87, and $100.00 ($1.54) in 1985/86. For 1988/89, the initial payment has been set at $160.00 ($2.47); the total pool payment appears likely to be in the $160-180 ($2.50-2.80) area. Assuming larger supplies in 1989/90, the initial is expected to

decline to the $100-110 ($1.54-1.70) area. At present, new-crop contracts on the Winnipeg and Chicago exchanges are little changed from nearby old-crop prices. Coarse grain prices are generally expected to decline 20-30% in 1989/90. With a continuation of a relatively tight supply in the U.S., 1989/90 oat prices may decline much less than other coarse grains.

For Designated oats, the Canadian Wheat Board pool payment for 1987/88 3CW (1Feed) amounted to $131.09/tonne ($2.02/bushel), compared to $124.64 ($1.92) in 1986/87, and $137.75 ($2.12) in 1985/86. For 1988/89, the initial was set at $189.00 ($2.91); the total appears likely to be in the $215-235/tonne ($3.30-3.60/bushel) range.

BARLEY

Supplies

Barley comprises less than a quarter of the 1988/89 world coarse grain crop. Total world production of barley declined 7% in 1988/89, to a total of approximately 168 million tonnes. The USSR and the EC each produced about a third of the total. While the EC increased production by 10% to 51 million tonnes, the USSR decreased production 19% to 48 million. China's crop is estimated at 6.3 million tonnes, as in 1987/88. Australia's crop may be slightly larger than the 3.3 million tonnes of 1987/88. However, the major exporters, Canada and the U.S., suffered severe crop shortfalls. Both Saudi Arabia and the USSR are expected to increase barley imports this year. Although Canadian and U.S. barley exports are expected to decline sharply in 1988/89, European exports, particularly into the USSR, will be considerably larger.

Saudi Arabia is the world's largest barley importer, accounting for close to a third of world trade. In 1986/87, it accounted for half. A lack of sizable Saudi purchases through to November was contributing to sluggish U.S. and EC barley exports. The Saudi Government, however, is now intervening directly in the import of barley, rather than subsidizing private imports as they did in 1986/87, with an accompanying buildup in stocks. The Saudis are expected to import 6 million tonnes of barley in 1988/89, compared to 5.7 million in 1987/88.

In the U.S., the barley crop totalled 6.16 million tonnes in 1988/89, 47% below 1987/88. The crop was generally high protein, and as a result, good quality lower-protein malting barley is in short supply. U.S. barley imports are expected to increase marginally to 435 000 tonnes in 1988/89, while exports are expected to drop 60% to 1.09 million tonnes. The U.S. is continuing to service the Saudi Arabian barley market, accompanied by export subsidies. U.S. growers are requesting the extension

of subsidies to other buyers. Prices and low supplies are discouraging many domestic U.S. feed users and maltsters, many of whom bought supplies earlier in the crop year; the California market is reportedly oversupplied, but in the northern states, only Montana is expected to show price and demand improvements. By June 1, 1989, U.S. barley carryover is expected to be 3.46 million tonnes, half of the 1988 level.

Barley production in Canada declined 27% in 1988/89, to total 10.1 million tonnes, compared to 14.0 million in 1987/88. The Manitoba crop was nearly halved, reaching 1.04 million tonnes, compared to 1.94 million a year ago. The hit-and-miss nature of the 1988 drought has caused locational shortages of feed grains in western Canada. This has been compounded by the very low production of feed-quality wheat. In contrast to the local situation, commercial stocks of feed barley built up in Thunder Bay, keeping a lid on both futures and cash prices. Although eastern Canada also harvested a much smaller barley crop, eastern oat and grain corn crops are larger, corn exports will be low and imports of U.S. corn will occur. As a result, eastern Canadian demand for western feed grains has been tempered. As a result of the smaller western crop, export programs for western barley have been largely curtailed and domestic use has so far been larger than exports. To mid-December, barley exports were less than 30% of a year-ago. Customers included Saudi Arabia, Japan, China, the U.S., as well as Columbia, Ecuador and Israel. Canadian barley exports are not expected to surpass two million tonnes, compared to an export of 4.4 million in 1987/88, 6.5 million in 1986/87. The tight supply situation will essentially restrict sales to only the traditional or agreement buyers. Japan, a major Canadian customer, traditionally purchases 800 000 tonnes per calendar year. By the end of 1988/89, the Canadian carryover of barley could be close to half of the July 31, 1988, level.

Prices

Barley prices jumped approximately 50% in response to the North American drought. As a result, the higher prices have encouraged a shift to the use of slightly cheaper corn, and to sorghum. U.S. feed barley prices at Duluth peaked in mid to late-October at about C$116 (US$2.10). On the Minneapolis Grain Exchange, malting barley cash quotes were halted in early December because of the lack of volume; at some nearby elevators, the price had already dipped below C$165/tonne (US$3.00/bushel). Subsidies on the sale of U.S. barley to Saudi Arabia in November reached only C$4.40/tonne (US$3.67/tonne); selling prices were in the area of C$146-148/tonne (US$122-123 FOB). Recent price levels to Japan off the Canadian west coast were

at $145-146 (US$127 FOB). EC barley sales to the USSR were also at a similar level at the St. Lawrence, but approximately $116-118 ($2.50-2.60), basis Thunder Bay.

Local off-Board barley prices have been in the $100-110/tonne ($2.18-2.40/bushel) range for much of the crop year, gaining a further $10 ($0.22) into mid-December in an effort to attract deliveries. In some deficit areas, producer prices have been reported at $138/tonne ($3/bushel). Regular pool No. 1CW barley payments from the Canadian Wheat Board totalled $74.08/tonne ($1.61/bushel) in 1987/88, compared to $80.00 ($1.74) in 1986/87, and $111.93 ($2.44) in 1985/86. At $120/tonne ($2.61/bushel), basis Thunder Bay, the 1988/89 initial price is above the comparable price that might currently be anticipated on exports off the east coast. The initial is also close to the U.S. Duluth price. However, the higher-priced Japanese and domestic markets will account for a large share of 1988/89 crop usage; prospects, therefore are for a small final payment. With a more normal North American barley crop size, combined with an anticipated 10-13 million acres more corn in the U.S., considerable downward pressure is expected on 1989/90 feed grain prices. Prices could decline towards the 1986/87 level, approximately 20-30% below current year levels.

Malting barley payments for 1987/88 were also lower than in 1986/87, in contrast to the situation in wheat and oats. Designated Special Select 6-Row received a total payment of $145.67/tonne ($3.17/bushel), compared to $155.00 ($3.37) in 1986/87 and $183.40 ($3.99) in 1985/86. The price to the Canadian maltster is less fixed than in the previous few years, but in late December, was at $285.00 ($6.20/bushel), compared to $210.00 ($4.57) in January 1988. Canadian prices are approximately 30% higher than the average price in Minneapolis, although the premium is much less over top-quality U.S. malting barley. Despite the higher domestic malting price, foreign purchasers, like China and South America, generally pay a much lower, "world" price. Despite the recent price declines, the prospect is for a total 6-Row, Designated barley payment in the area of $200-225/tonne ($4.35-4.90/bushel). Malting prices are also expected to decline sharply into 1989/90 if crop production recovers. In addition, the effect of the bilateral trade agreement effective January 1, 1989, could be a closer alignment of domestic malting prices to U.S. prices.

RYE

Supplies

The Canadian rye crop totalled only 257 000 tonnes, a 48% decline from the

493 000 tonne crop of 1987. Although the rye area was initially expected to increase 6.5%, the area harvested for grain was reduced by drought, greenfeed harvesting and grazing. Despite that, the Manitoba crop totalled an estimated 48 000 tonnes, a 4.3% increase over 1987/88. Canadian crop-year supplies were down 32%. By mid-December, rye exports had reached only 53 100 tonnes, nearly half of the year-ago level. In the past, South Korea has substituted Canadian rye for feed wheat. However, virtually all early-season exports were reported to Japan. This has resulted in a heavy demand and allocation of rail cars to move rye to the west coast. Canadian rye carryover is expected to be halved by the end of 1988/89. For 1989/90, Statistics Canada reports a 53% increase in Canadian fall rye plantings to 1.2 million acres. In Manitoba alone, planting increased 135% to 270 000 acres. Saskatchewan increased plantings by 51%, Alberta by 19% and Ontario by 8%. Depending on winterkill and yield recovery, it appears that 1989/90 rye supplies could increase 15-40% from the low 1988/89 level. At the most, that would return supplies to the level of the 1986/87 and 1987/88 years.

Prices

Through early 1988, rye prices edged around those of feed wheat. Rye surpassed wheat by a sizeable premium in the early stages of the drought as the fall-sown crops became the first to be affected. By mid-August, the tightening supply of feed wheat caused a reversal at the elevator; by mid-December, feed wheat was at a $24/tonne premium to rye and the rye basis had widened. In the futures and cash markets, rye continues to track closely with feed wheat, as it will likely do during the rest of 1988/89 and into 1989/90. Ample supplies of feed grains in 1989/90 would indicate a drastic drop in the off-Board feed wheat and rye price of 20-30%. At the elevator, rye is expected to average $90-110/tonne ($2.30-2.80/bushel) in 1989/90. To date, the forward futures months are not reflecting this possibility.

OILSEEDS

Supplies

World oilseed production for 1988/89 is forecast by the USDA at approximately 201 million tonnes, a 2.6% decline from the 1987/88 record, mainly because of the North American drought. World soybean production dipped to under 50% of total oilseed production. Rapeseed and flaxseed production also declined, but cottonseed, peanuts, sunflowerseed, copra and palm kernel increased. In addition, palm oil production is expected to increase a drastic 8.6% to a new record high. World protein

meal production is potentially the same as in the previous two crop years, but there is an expected 2.1% increase in the production of vegetable oils. Oil supplies are therefore more plentiful than meal. In addition, protein meal demand continues strong, fueled by an expanding USSR demand for soymeal. World trade in oilseeds is expected to be lower but product exports higher. By the end of 1988/89, the world oilseed carryover is expected to be down nearly 20% from the previous two years, perhaps the lowest in 15 years. By early spring, soybean stock levels will begin to tighten, and, as a result, the development of the South American crop will be critical to the balance of supply and demand, and to prices.

The 1988 U.S. soybean crop was the smallest since 1976. Although slightly better than had been earlier expected, the drought caused more than a 21% or 11.2 million tonne decline in production. Non-U.S. oilseed production increased to a record level, despite notable declines in China, the EC and Mexico. China's major oilseeds, rapeseed, soybeans and groundnuts (peanuts), were reduced 2.6 million tonnes; increased oil and soybean imports and a reduction in soymeal exports are expected. India, generally a major importer, harvested such a large summer crop that it reduced domestic prices, apparently causing some shifts out of oilseeds for the February/April 1989 harvest. Estimates of USSR oilseeds indicate sizeable increases in sunflowerseed and cottonseed production. USSR soymeal imports however, are expected to increase 8.3% to a new high of 3.25 million tonnes, in an attempt to improve livestock rations and meat supplies. The EC, in turn, harvested a larger sunseed crop but a smaller rapeseed crop because of lower yields. Lower EC imports of soybeans will be only partially replaced by some increases in soymeal imports. The major concern, at present, is for the size of the South American soybean crops. In mid-December, the USDA forecast South American production at 32 million tonnes, a 12% increase from 1987/88. Dry weather in central Brazil is a continuing concern.

For 1989/90, the U.S. soybean area may increase 1-3 million acres. For 1990/91, U.S. supplies could remain tight. High soy prices at planting time would likely be required to cause a corn/soybean shift. The total U.S. soybean area has been declining for many years because of the benefits of the government grain programs. Still, the 1988 U.S. Disaster Assistance Act dictates that soybean or sunflower plantings may not be allowed on program acreages if the market price of soybeans is expected to be less than US$5.49/bu., 115% of the 1988/89 loan rate. In the EC, oilseed production is to be "restrained" near current levels by production targets; however, other areas of the world are likely to increase production. Malaysian palm oil production targets are for continuous increases over the next 10-12 years.

FLAXSEED

Supplies

World flaxseed production has declined 31% over the last two years, reducing world stock levels from the 1986/87 high. The 1988/89 world crop is estimated by the USDA at 1.8 million tonnes, down 21% from 1987/88. The Argentine crop, which begins to hit the market in December/January, is estimated within the 450 000-500 000 tonne range by the U.S.D.A., "Oil World" and the Argentine Grain Board, a 15-20% decline. It appears that the crop size will be near the lower end of the estimates. Argentina could have exportable product supplies approximately 15% smaller than in 1987/88. The USSR crop appears slightly larger than last year, which may temper European demand for flaxseed. China, the largest producer, had a 5% decrease to 475 000 tonnes, while India had a 7% increase to 440 000 tonnes. The two major world suppliers, beside Argentina, are Canada and the U.S. The U.S. crop was reduced a full 50% to 92 000 tonnes, while the Canadian crop was reduced 40%. World usage is expected to fall only 3%. By the end of 1988/89, world flaxseed stocks will be the lowest in many years, a 60% decline from 1987/88, and a 66% decline from 1986/87, according to "Oil World". It would require a 24% increase in world production in 1989/90 to bring supply and carryover back to year-ago levels.

The 1988/89 Canadian flaxseed crop totalled 413 900 tonnes, compared to 729 000 in 1987/88. Two-thirds of the decline was in Manitoba. Manitoba yields and production were halved to 198 000 tonnes, from 406 000 tonnes the year before. A persistent high level of carryover doubled Canadian crop-year supplies to 812 000 tonnes; however, by year-end, "surpluses" will have been at least halved. By mid-December, flaxseed exports were two-thirds of the year-ago level. While early-season exports to the U.S. were similar to a year ago and slightly higher to Japan, they were half to western Europe. In Canada, planted area need only increase to the 1987/88 level, about 8% over the 1988/89 harvested, to provide a more normal supply and year-end carryover.

Prices

Flaxseed prices have shown more strength than the rest of the oilseeds in 1988/89. Into December, the Rotterdam linoil price was in the $730-755/tonne (US$610-625/tonne) area, 75-80% ahead of the January 1988 level. In November, it had been close to double the year-ago level, compared to increases for most other oils in the area of 10-30%. Whereas linoil had been at a discount to soyoil last year, it

rose to a 40-50% premium, a restraining factor on usage. On the Winnipeg Exchange, nearby flaxseed has been $400/tonne or better since mid-June, with the exception of the November/December slump. Recent elevator prices have been in the $350-375 ($8.90-9.50/bushel) area, nearly double the price at the beginning of the year. With the close of the St. Lawrence, the only mid-winter movements will be relatively small amounts to Asia and the U.S. A seasonal spring rally generally tends to occur towards the reopening of lake shipping; however, a much-reduced Argentine crop, and continued linoil price strength in Rotterdam will be required to push flax much higher than the mid to late-December $400/tonne futures level. Instead, futures prices are currently inverted into the spring, anticipating both the Argentine crop and larger 1989/90 production. Weather permitting, flax is likely to return to at or below canola/rapeseed levels, accompanied by drastic declines in linoil prices in Rotterdam. That would result in a level of about $300-350/tonne ($7.60-8.90/bushel) in the futures, $250-310 ($6.35-7.90) at the elevator.

CANOLA/RAPESEED

Supplies

Aside from Canada, the major producers of rapeseed had smaller crops in 1988/89. Total world production declined 5% from last year's record to a total of 21.7 million tonnes. China harvested a 5.7 million tonne crop, down 14%, while the EC harvested a 5.3 million tonne crop, down 12%, both reduced by lower yields. Reductions in India and eastern Europe were small.

Canada's canola/rapeseed plantings hit a record 9.025 million acres in 1988/89. Despite a sharp reduction in yields, the harvest produced 4.2 million tonnes, a 10% increase over 1987/88. The quality is reported good, despite some increase in chlorophyll levels in early samples. Overall, Canadian crop year supplies are 9% larger than in 1987/88. To mid-December, both exports and domestic usage were marginally ahead of the year-ago level, although the pace was slowing.

Two western Canadian crushing plants, the United Oilseeds plant at Lloyd-Minister and the Alberta Terminal plant at Sexsmith have shut down indefinitely. In January, two CSP plants in Manitoba will also halt crushing. Early this fall, the industry had indicated problems in crushing margins and the potential for short-term closures. The heavy use of export subsidies by the U.S. and the EC appears to be a major problem to Canadian oil exports overseas. India, which is receiving large subsidies from the EC, took an average of 112 500 tonnes of Canadian canola oil over

the past 2 years, 22-31% of total Canadian oil exports. Increased U.S. imports of canola oil in 1988/89 are not likely to compensate for lost Asian markets. It also appears that the crushers are now having difficulty competing in the U.S. market. High seed prices and a stronger Canadian dollar have resulted in Canadian canola oil in the U.S. $40-53/tonne (US 1 1/2-2¢) over the price of soyoil. Seed exports tend to be concentrated to Japan, with some going to Mexico and the U.S. Although Japan has large oil stocks, the Canola Council is expecting the reduction in crush to come from soybeans rather than from canola imports. If 1988/89 usage were to slightly surpass 1987/88, the Canadian carryover would total close to 800 000 tonnes, a 25% increase from 1987/88. A 20% retraction in 1989 plantings to the 7 million acre area, with a return to more normal yields, would produce a similar Canadian supply in 1989/90.

On November 1, 1988, the Winnipeg Commodity Exchange opened a cash call market for canola. The change is to allow producers to pre-sell carlots of export canola, thereby qualifying for producer car allocation. As of February 1, the Canadian Grain Commission will change to a complete ship-to-sales allocation procedure for canola. All outstanding applications must be resubmitted. To late December, more than 100 carlots had been traded with closing bid prices ranging from $3-20/tonne under the applicable futures month.

U.S. interest in canola oil imports and in seed production continues to increase. In 1985, the U.S. Food and Drug Administration allowed low-erucic acid rapeseed oil to be sold for human consumption in the U.S. In September/November, 1988, it approved the application of the term "canola". The American Soybean Association has withdrawn its objections, but wants oil tariffs equalized. Canola at present, accounts for 2% of the U.S. vegetable oil market, and 16% of vegetable oil imports. In calendar year 1989, the USDA expects nearly 200 000 tonnes of canola oil to be imported, an 81% increase over 1987. Unofficial estimates put the 1987/88 U.S. canola area at 50-60,000 acres, and the 1988/89 area approximately double that. U.S. plantings are expected to continue to increase. The Continental Grain plant in Culbertson, Montana was purchased by Elder's Grain. It will crush an intended 1.1 million tonnes of canola and 600 000 tonnes of flax per year. During the 1988/89 winter, Canadian oilseeds will be utilized, but 50,000 acres of canola and 30-40,000 acres of flaxseed will be contracted in the U.S.; the tentative U.S. contract price for rapeseed is C$291-317/tonne (US11-12¢/pound).

Prices

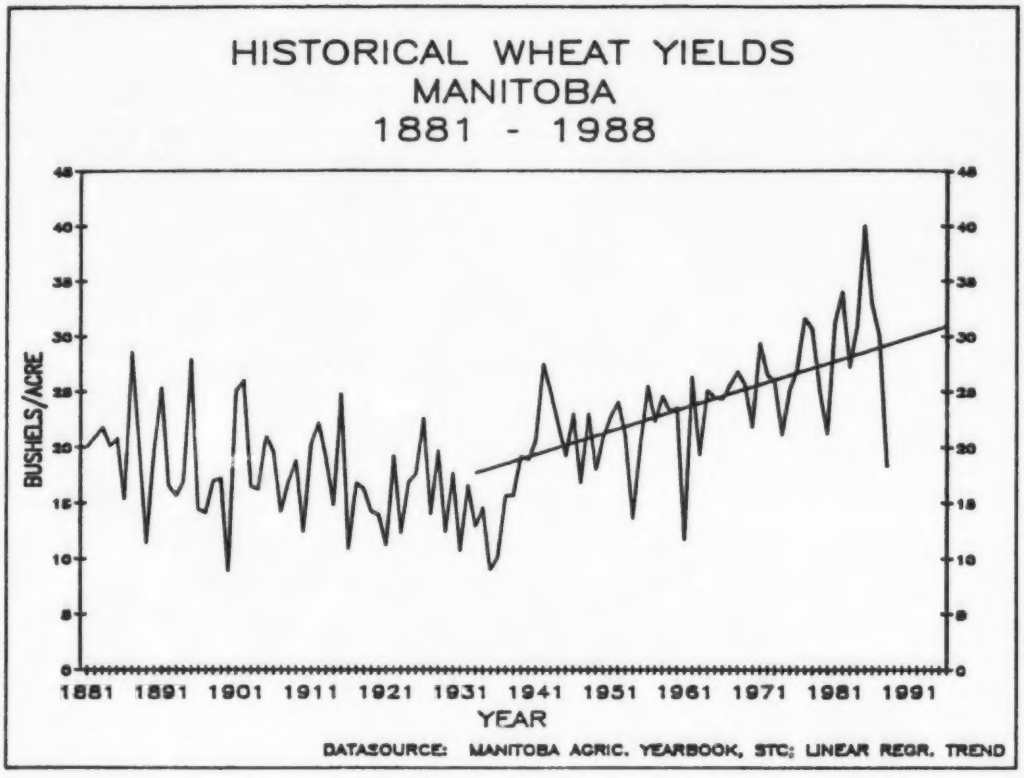
After rising to the US$10.25/bushel area during the drought, nearby soybean

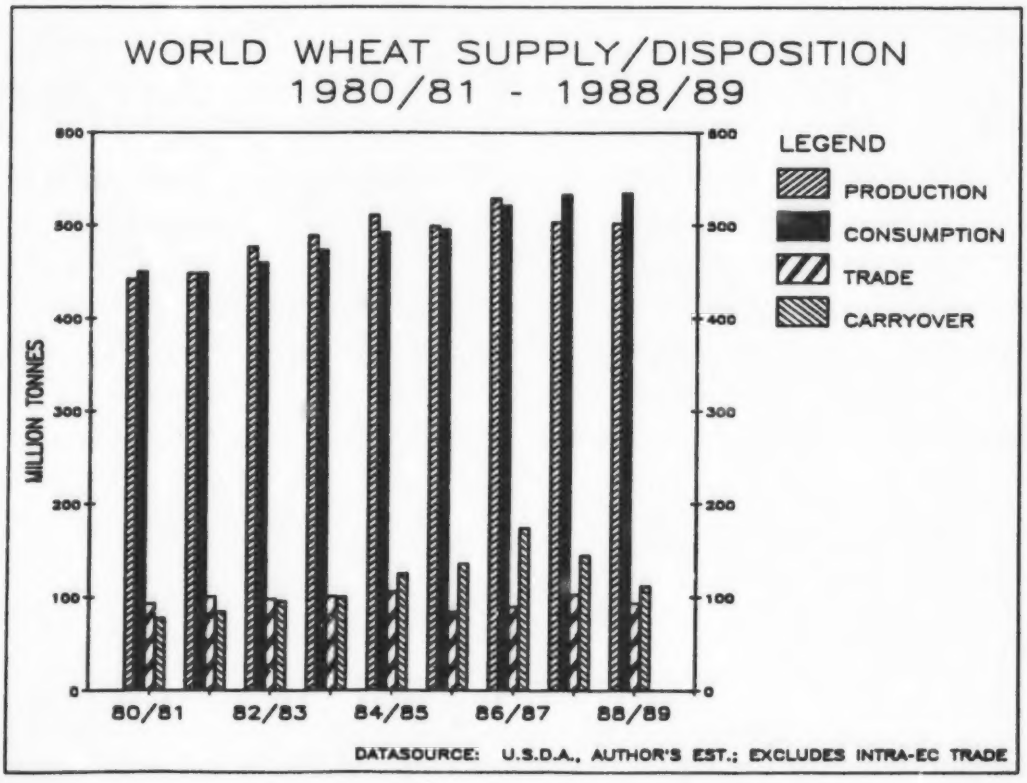
prices peaked again in mid-September at around US$9.00 in the Chicago futures market and around US$8.50 in the Minneapolis cash market. They slid toward US$7.25 by mid-October, but it was not until late December when they edged over the US$8.00 level on news of the Brazilian drought and on USSR meal purchasing. The post-harvest buildup in vegetable oil stocks was a factor in declining vegetable oil and oilseed prices in both Rotterdam and in North America. Markets, however, are focussing on larger South American production rather than declining U.S. supplies. In fact, the U.S. will be a net importer of vegetable and marine oils for the second consecutive year. Sustained price increases in the spring will depend on South American production and, in 1989/90, on prospects for the U.S. crop.

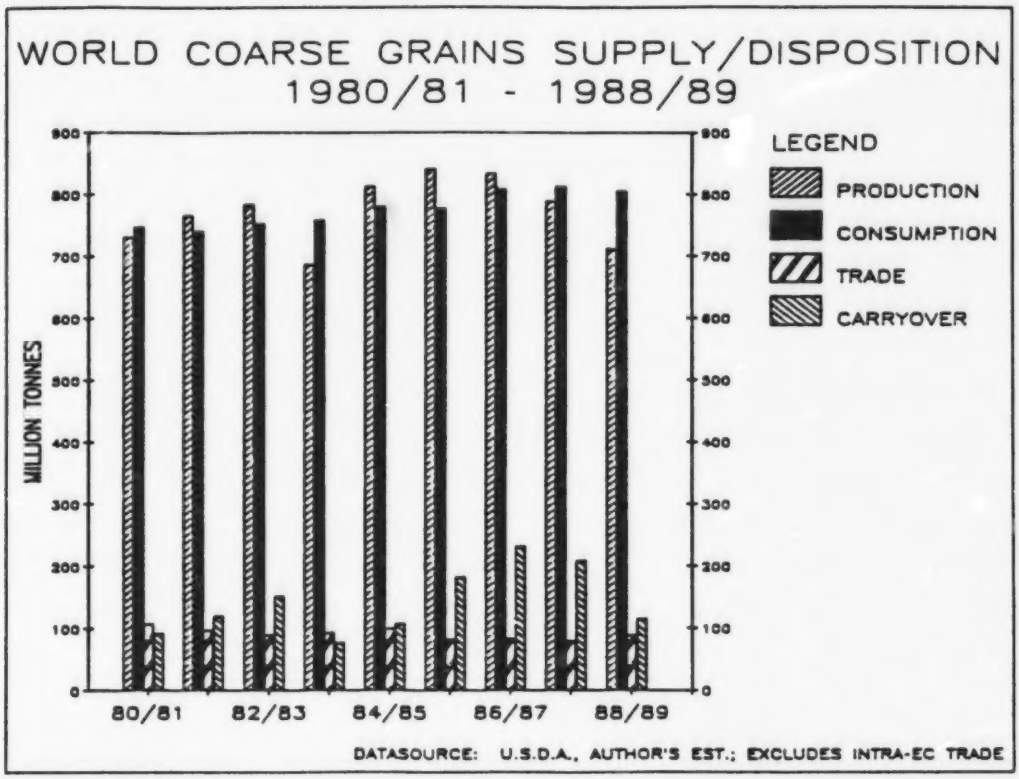
The effect of high subsidies on rapeseed oil has apparently resulted in EC selling prices in India approximately $220/tonne below the Canadian crusher's cost of production. This, despite reduced EC crusher subsidies. Under the U.S. Export Enchancement Program, there are potential subsidies of up to $240/tonne on sales of oil to India, Morocco, Tunisia and Turkey. Oil exports are also subject to special targetted assistance programs. One such program is "SOAP", under which U.S. sunoil sales to Algeria received commodity bonuses of $113-178/tonne (US$93-149/tonne).

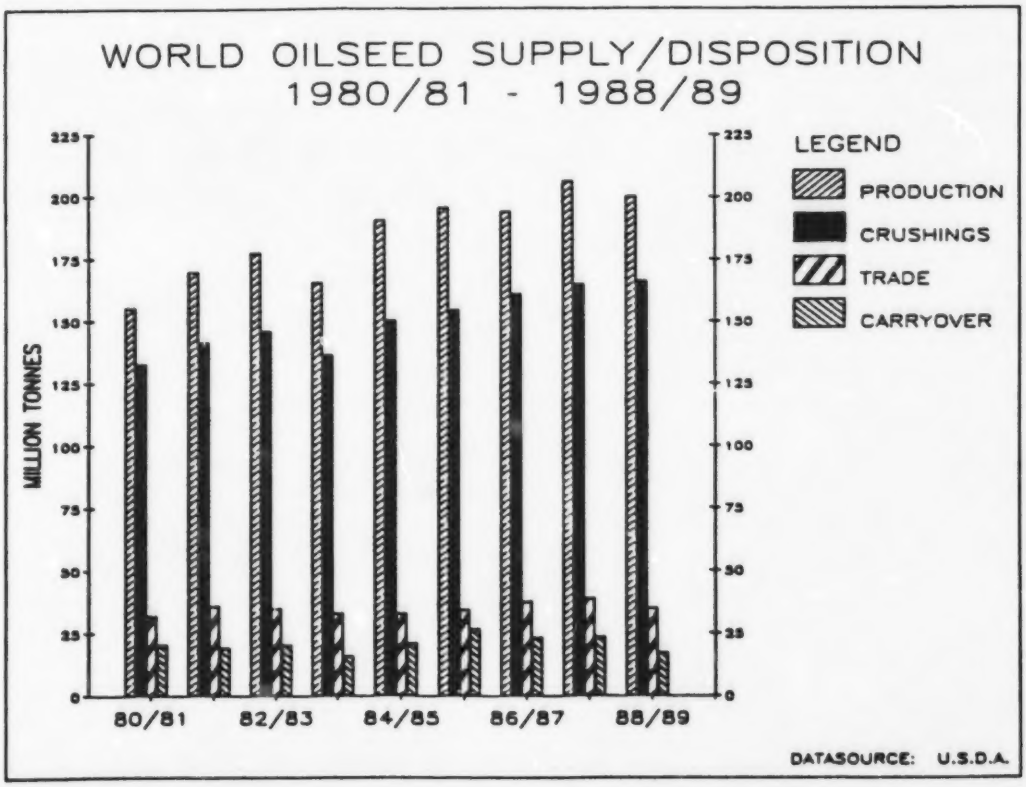
The major North American oilseed prices are currently 25-30% higher than a year ago. Futures prices for U.S. soybeans and Canadian canola have tracked fairly closely during much of 1988, although the recent weakness in oil and the seasonal strength in meal tends to favour soybeans. Nearby canola futures dropped from the $400/tonne ($9/bushel) area in early June to the recent $325-350 ($7.40-7.95) level. Recent elevator prices have been in the $300/tonne ($6.80/bushel) area. It appears that it would take a severe Brazilian shortfall to produce a further US$1/bushel gain in soybeans, or about a $50/tonne gain in canola futures. Spring prices in drought years are not normally as high as the pre-harvest price. For 1989/90, a relatively small increase in both U.S. soybeans and Canadian canola supplies are expected. That would keep U.S. soybean futures prices close to the current US$7-8/bushel level. Canadian canola futures would roughly be in the $300-350/tonne ($6.80-7.95/bushel) area, with the price at the elevator generally in the $250-310 ($5.70-7.00) area.

For further information on cereals and oilseeds, please contact:
Carol Nachtigall, Market Analyst, Crops, (204) 945-4017.


HISTORICAL WHEAT YIELDS
MANITOBA
1881 - 1988
BUSHELS/ACRE
0
5
10
15
20
25
30
35
40
45
1881 1891 1901 1911 1921 1931 1941 1951 1961 1971 1981 1991
YEAR
DATASOURCE: MANITOBA AGRIC. YEARBOOK, STC; LINEAR REGR. TREND


WORLD WHEAT SUPPLY/DISPOSITION
1980/81 - 1988/89
MILLION TONNES
0
100
200
300
400
500
600
80/81
82/83
84/85
86/87
88/89
LEGEND
PRODUCTION
CONSUMPTION
TRADE
CARRYOVER
DATASOURCE: U.S.D.A., AUTHOR'S EST.; EXCLUDES INTRA-EC TRADE


WORLD COARSE GRAINS SUPPLY/DISPOSITION
1980/81 - 1988/89
MILLION TONNES
0
100
200
300
400
500
600
700
800
900
80/81
82/83
84/85
86/87
88/89
LEGEND
PRODUCTION
CONSUMPTION
TRADE
CARRYOVER
DATASOURCE: U.S.D.A., AUTHOR'S EST.; EXCLUDES INTRA-EC TRADE


WORLD OILSEED SUPPLY/DISPOSITION
1980/81 - 1988/89
MILLION TONNES
0
25
50
75
100
125
150
175
200
225
80/81
82/83
84/85
86/87
88/89
LEGEND
PRODUCTION
CRUSHINGS
TRADE
CARRYOVER
DATASOURCE: U.S.D.A.

CANADA - SITUATION AND OUTLOOK FOR THE MAJOR GRAINS AND OILSEEDS

	SPRING WHEAT			DURUM WHEAT			ALL WHEAT		
	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89
Area Sown (000 ac)	30628.0	27891.5	26538.6	4560.0	5400.0	5650.0	35188.0	33291.5	32188.6
Area Harv. (000 ac)	30628.0	27891.5	26303.1	4560.0	5400.0	5650.0	35188.0	33291.5	31953.1
Yield (bu/ac)	33.0	28.9	19.2	31.4	27.3	12.5	32.8	23.6	18.0
Stocks, Aug 1 (000 t)	8020.0	11121.0	5699.0	554.0	1610.0	1494.0	8574.0	12731.0	7193.0
Production	27480.9	21936.2	13727.9	3897.0	4014.0	1927.0	31377.9	25950.2	15654.9
TOTAL SUPPLY	35500.9	33057.2	19426.9	4451.0	5624.0	3421.0	39951.9	38681.2	22847.9
Exports	18394.6	20417.9	11000.0	1957.4	2753.8	2200.0	20352.0	23171.7	13200.0
Commercial Dom.	2869.7	3182.6	3200.0	278.1	313.7	250.0	3147.8	3496.3	3450.0
Other Domestic	3115.6	3757.7	2226.9	605.5	1062.5	471.0	3721.1	4820.2	2697.9
TOTAL DOMESTIC	5985.3	6940.3	5426.9	883.6	1376.2	721.0	6868.9	8316.5	6147.9
TOTAL CARRYOVER	11121.0	5699.0	3000.0	1610.0	1494.0	500.0	12731.0	7193.0	3500.0
on farms	4592.0	2135.0	1000.0	415.0	400.0	200.0	5007.0	2535.0	1200.0
commercial	6529.0	3564.0	2000.0	1195.0	1094.0	300.0	7724.0	4658.0	2300.0
Marketings(1)	20444.0	20072.0	12500.0	2933.6	3189.2	1700.0	23377.6	23261.2	14200.0

	OATS			BARLEY			RYE		
	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89
Area Sown (000ac)	3998.9	3964.6	4485.6	12509.1	12960.0	11021.0	777.6	774.0	824.0
Area Harv. (000ac)	3180.9	3120.6	3388.5	11932.1	12365.0	10208.0	777.6	774.0	616.0
Yield (bu/ac)	66.2	62.3	57.3	56.1	51.8	45.6	30.8	25.1	16.5
Stocks, Aug 1 (000 t)	776.0	1014.0	863.0	3309.0	3172.0	3687.0	302.0	375.0	333.0
Production	3251.1	2995.2	2993.4	14569.0	13957.1	10125.1	609.0	492.6	257.0
TOTAL SUPPLY	4027.1	4009.2	3856.4	17878.0	17129.1	13812.1	911.0	867.6	590.0
Exports(2)	254.8	267.6	300.0	6533.3	4373.6	2000.0	201.0	221.0	150.0
Commercial Dom.	228.0	229.0	275.0	1559.0	1732.0	2000.0	45.6	57.2	50.0
Other Domestic	2530.3	2649.6	2606.4	6613.7	7336.5	7812.1	289.4	256.4	215.0
TOTAL DOMESTIC	2758.3	2878.6	2881.4	8172.7	9068.5	9812.1	335.0	313.6	265.0
TOTAL CARRYOVER	1014.0	863.0	675.0	3172.0	3687.0	2000.0	375.0	333.0	175.0
on farms	870.0	660.0	575.0	1570.0	2495.0	1250.0	210.0	160.0	85.0
commercial	144.0	203.0	100.0	1602.0	1192.0	750.0	165.0	173.0	90.0
Marketings(1)	501.0	618.0	525.0	7578.0	5800.0	3450.0	312.0	323.0	100.0

	FLAXSEED			CANOLA/RAPESEED			TOTAL ALL GRAINS		
	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89
Area Sown (000 ac)	1865.0	1460.0	1410.0	6523.0	6600.0	9025.0	60861.6	59050.1	58954.2
Area Harv. (000 ac)	1865.0	1460.0	1350.0	6523.0	6600.0	9025.0	59466.6	57611.1	56540.6
Yield (bu/ac)	21.7	19.7	12.1	25.6	25.7	20.7	-	-	-
Stocks, Aug 1 (000 t)	272.0	442.0	398.0	950.0	619.0	637.0	14183.0	18353.0	13111.0
Production	1026.3	729.0	413.9	3786.5	3846.5	4243.0	54619.8	47970.6	33687.3
Imports	-	-	-	11.0	10.0	11.0	-	-	-
TOTAL SUPPLY	1298.3	1171.0	811.9	4747.5	4475.5	4891.0	68813.8	66333.6	46809.3
Exports(2)	690.0	624.0	500.0	2126.1	1749.7	1825.0	30157.2	30407.6	17975.0
Commercial Dom.	22.7	37.8	25.0	1534.2	1583.6	1550.0	6537.3	7135.9	7350.0
Other Domestic	143.6	111.2	86.9	468.2	505.2	716.0	13766.3	15679.1	14134.3
TOTAL DOMESTIC	166.3	149.0	111.9	2002.4	2088.8	2266.0	20303.6	22815.0	21484.3
TOTAL CARRYOVER	442.0	398.0	200.0	619.0	637.0	800.0	18353.0	13111.0	7350.0
on farms	140.0	115.0	75.0	170.0	140.0	300.0	7967.0	6105.0	3485.0
commercial	302.0	283.0	125.0	449.0	497.0	500.0	10386.0	7006.0	3865.0
Marketings(1)	790.0	627.0	350.0	3374.0	3305.0	3450.0	35932.6	33934.2	22075.0

DATASOURCE: STATISTICS CANADA, CANADIAN GRAIN COMMISSION, AUTHOR'S ESTIMATES.
NOTE: 1988 AREA SOWN AS PER JUNE EST.; (1) INCL. UNLIC. DEL.; (2) INCL. DIRECT RYE AND FLAX EXPORTS TO U.S.